

Belgian poll as bribery row grows

By Emma Tucker in Brussels

Mr Jean-Luc Dehaene, the Belgian prime minister, yesterday announced an early general election, as controversy surrounding the Flemish Socialist party - part of his government coalition - thickened.

Mr Dehaene said a financial scandal implicating senior members of the SP had influenced his decision to bring the date of the election forward to May 21. The latest twist in the long-standing corruption affair happened last week when two former senior SP members were arrested in connection with the so-called Agusta scandal.

The case revolves around allegations of bribery and corruption in relation to a contract awarded to Agusta, the Italian aircraft manufacturer, by the Belgian government in 1988.

Under particular investigation is the possibility that bribes were offered or paid to Socialist politicians to secure the sale of the 46 helicopters.

Police arrested Mr Luc Walwyn, the former deputy secretary of the SP and currently an employee of the European Commission's social affairs directorate, and Mr Etienne Mange, the head of the post office and influential in the SP's financial affairs.

They also detained Mr Georges Cywie, a businessman who lobbied for Agusta in Belgium, and Mr Alfons-Hendrik Puelinckx, a Brussels lawyer whose office was alleged to have been used for meetings to discuss Agusta.

The latest arrests have cast an unwelcome spotlight on two of Belgium's most senior international figures. Mr Willy Claes, the secretary general of Nato, and Mr Karel Van Miert, the European Commissioner responsible for competition policy.

Mr Claes was economic affairs minister at the time the helicopters were purchased and Mr Van Miert was leader of the SP.

Both men strongly deny any involvement, but say they are prepared to answer any questions from investigating authorities.

Mr Van Miert yesterday cut short a holiday in Latin America to return to Brussels and face the crisis, while Mr Claes said he would explain his position to Nato ambassadors today.

The judicial authorities have said they would like to interview both men following the arrests last week.

Belgian newspapers said yesterday the latest moves by the police could not have come at a worse time for Mr Dehaene, himself a member of the Flemish Christian Democrat party, who for three years has held together a fragile coalition of Socialists and Christian Democrats from both sides of the Belgian language communities.

The Francophone Socialist party, part of the coalition, has suffered from a string of financial scandals. Last year three of its top members including a deputy prime minister resigned over the helicopter affair, although all of them strongly deny any wrongdoing.

Although Mr Dehaene said the latest scandal had influenced his decision to bring forward the date of election, the main reason was to have a new mandate to tackle the 1996 budget talks due this summer.

Belgium has the highest debt in the EU in terms of GDP and one of the highest unemployment rates in Europe. In order to take part in the final stage of monetary union in either 1997 or 1999, the country must cut its debt to meet the criteria set out in the Maastricht treaty.

French probes leave room at the top

Rise in number of politicians under investigation raises questions about government says Andrew Jack

One large office looks surprisingly empty in the spacious city hall of Grenoble - the mayor's. Its erstwhile occupant, Mr Alain Carignon, has become the most dramatic example of a growing number of leaders of French towns distracted from their work by criminal investigations.

Mr Carignon's supporters gathered last week to celebrate what they were sure would be his release from jail - where he has been held awaiting trial since October - only to learn with shock that the court of appeal had ruled that he should remain in prison.

The rise in the number of court investigations against local politicians around the country over the last few months raises questions about the devolution of state power, the links between politics and business, the changing role of magistrates and, not least, the ability of towns to be governed in the absence of their elected heads.

Mr Jacques Médecin, the colourful former mayor of Nice, was one of the earliest and most extreme examples, when he fled to South America four years ago amid allegations of tax evasion and misappropriation of public funds totalling more than FF600m (\$115m). He was extradited from Uruguay last November and is in prison awaiting trial.

His critics argue that Mr Médecin was swept up in the early years of the devolution of power from Paris to municipalities - without corresponding accountability - that started when the Socialists came to power in 1981. He also assumed



From Mayor's office to prison: (left to right) Alain Carignon, mayor of Grenoble, Jacques Médecin, former mayor of Nice, Mr Michel Noir, mayor of Lyons, whose trial started last week.

what some described as almost monarchical power passed on by his father who was mayor in Nice for many years.

Then there is Lyons mayor Mr Michel Noir, whose trial started last week. He is accused along with 11 others of being part of a network by which up to FF33m was allegedly distributed and embezzled by Mr Pierre Botton, Mr Noir's son-in-law, during the 1980s.

Some see both Mr Noir and

Grenoble's Mr Carignon as victims of the problem of party political funding and the role of contributions from companies in France, which Mr Edouard Balladur, the prime minister and front-runner in the presidential race, has recently been trying to clarify with new financing rules.

The investigations coincide with a period of rising power and confidence by magistrates across Europe - inspired by

what has been happening in Italy - and which has now gathered a momentum of its own.

Meanwhile, Mr Médecin has been gone for so long that his successor, Mr Jean-Jacques Barrey, is firmly installed in his place and plans to run for re-election.

In other towns, the deputies, long in the shadow of their patron, have stepped in to ensure that existing strategy is

continued, but are biding their time rather than taking new initiatives before municipal elections across France in June.

For example, Mr Pierre Gascon, Mr Carignon's temporary replacement, prefers to remain in his own office of deputy mayor at the far end of the same city hall corridor as his boss.

He remains loyal to his leader and says decisions continue to be made.

He refuses to comment on his own possible candidacy but has said that Mr Carignon could still run for office from jail.

Mr Guy Barriolade, head of Mr Noir's office for the Lyon municipal authority, plays down the impact of the trial and the months leading up to it. "There is the psychological effect and any appearance of weakness is not good, but things carry on as normal," he says.

He stresses that Mr Noir - who has not been held in prison - has continued to carry out his functions. He says the accusations have not prevented the mayor working as normal and that if anything he has sacrificed his duties as a national deputy to ensure his continued commitment to Lyon.

Others are less convinced. One senior executive in Lyons argues that - if only in the spirit of self-preservation, given the more aggressive stance of magistrates - civil servants and their political masters are moving more slowly in making investment decisions and signing public works contracts.

Political opponents of the mayors have certainly lost no time in exploiting the situation. For example, Mr Bruno Gollnisch, vice president of the extreme right-wing National Front, last week said matters in Lyons had become untenable - and simultaneously launched his own campaign to become mayor.

It is also difficult to disentangle the effects of the recent scandals from two broader factors encumbering municipal administration.

The first is the intense political build-up in advance of elections for president in April and May and the elections for mayors across the country in June. The second is the effect of a series of legal changes which came into effect in the last two years on public contracting. Mr Jacques Guerber, senior executive vice president of Crédit Local de France, a bank specialising in finance to local authorities, argues that these factors have both formalised and slowed down the process of tendering.

What is certain is that the last few months have seen a considerable souring in the reputation of a number of leading French cities. As the legal actions gathered pace last week, the topic has again come to the fore. "Grenoble's positive reputation is finished," says one restaurant owner in the city.

"It honestly doesn't affect us," says Mr François-Régis Beriot, a local politician and president of the Grenoble-Ière regional development council. "But it's true it is extremely bad for our national and international relations."

Heated debate over Danes' green tax plan

Industry is unhappy about the proposals and political temperatures are rising, writes Hilary Barnes

It will be a month or so before the Danish winter yields and the countryside turns green once more, but the people, their politicians and, not least, the bureaucrats are already in the grip of a green frenzy.

"Ecological" foods are the winter's flavour. Consumers are emptying supermarket shelves of ecological milk and vegetables faster than the farmers can produce them, and the farmers are being criticised for having failed to foresee the fashion of the day.

The government is preparing "green" national accounts, which will provide indicators of the degree to which production and consumption contribute to global pollution.

Legislation will shortly reach the statute books compelling companies to produce "green" accounts, though the law will apply only to the 10,000 industrial companies which must have a certificate of approval for their potentially polluting operations from the state's Environmental Authority, and only about a third of these will actually have to produce green accounts because of dispensations. The accounts will show both inputs and outputs of products which pollute the

environment, but companies will not be forced to reveal the secrets of their production to competitors.

The Environment Ministry, headed by Mr Svend Auken, a Social Democrat, will shortly send a circular to all central government offices and departments telling them to prepare "green" purchasing plans, in which environmental considerations will be applied to purchases of everything from computers and copiers to chairs, tables and cleaning equipment.

But suggestions that special environmental standards should be written into tender requirements for public sector contracts (such as the cement and steel contracts for construction of the planned 17km bridge across the Øresund between Copenhagen and the Swedish city of Malmö) have run up against an objection: the EU Commission would probably consider this to be an attempt to favour local suppliers, thus undermining the internal market.

All these developments, however, are overshadowed by the government's plans to impose stiff "green" taxes on both consumers and industry. Opinion polls suggest that consumers are quite happy to pay the

taxes, but the plans for taxes on industry are controversial, and are set to head the political agenda this spring.

The government cut income taxes in 1994. It plans to claw back some of the shortfall in revenue by increasing so-called "green" taxes - including taxes on petrol and other fossil fuels and water. The household tax on water will rise from DKK1.25 (23 cents) per cubic meter in 1994 to DKK1.25 by 1998.

Far more controversial are proposals to impose hefty taxes on carbon dioxide emissions, which, apart from raising revenue, are required to enable the country to reduce emissions by 20 per cent between 1990 and 2005, which is Denmark's contribution to limiting the greenhouse effect.

The government's experts have concluded that the carbon dioxide reduction requires an average tax on emissions in the long term of about DKK200 per tonne, six times the present tax level. The difficulty is that if a tax of anywhere near this level is imposed on industries using a lot of energy, from oil refineries and cement to steel, chemicals, fishmeal and paper, the government will, as the chairman of the Association of Process Industries,



Svend Auken, the Social Democrat at the Environment Ministry.

tries, Mr Thorkild Juul Jensen, put it, certainly save energy, but only because these industries still have an incentive to save energy, but without the tax affecting their total costs.

The tax on energy used for space heating will be DKK600 per tonne and for normal process energy (lighting, power for

office machinery, and so on) it will be DKK200 per tonne of carbon dioxide.

These proposals have got everyone up in arms. The large industrial energy-users fear that, despite the reimbursement idea, their international competitiveness will be hit, while small businesses and industries want to know why their carbon dioxide tax, levied for space heating, should be increased 12 times, while the real polluters will hardly pay anything.

Lawyers specialising in EU law think the government is off on a wild goose chase: the EU Commission will rule that the proposed reimbursements to industry count as subsidies, and the Commission will not allow them.

The opposition parties, the Liberals and the Conservatives, are opposed to the green taxes on industry. They see the government, dominated by Social Democrats, being driven by this issue into the arms of the left-wing Socialist People's Party and the Unity List, who, say the opposition parties, will desert the government over the 1996 budget. In other words, they hope the green tax issue will, indirectly, topple the government.

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NEWS: WORLD TRADE

Marubeni deal may be signal for other Tokyo companies to gain a foothold in new market

Japan to help develop Burma's economy

By Michio Nakamoto and William Dawkins in Tokyo

Japan's Marubeni trading company has signed a wide-ranging agreement with the Burmese government to help develop the country's infrastructure and market economy.

The agreement is the first of its kind between a Japanese trading company and the Burmese government. It could give Marubeni a significant head start in a country which is increasingly seen in Japan as a promising new market.

Although international criticism of Burma's military regime has deprived it of virtually all official Japanese development aid since 1989, the Japanese government has not

withheld technical aid, or its blessing to private businesses eager to establish a foothold in a promising market.

The Marubeni agreement could be a signal for other Japanese companies to try and establish a foothold in the Burmese market.

Under the agreement, Marubeni has agreed to:

- act as project co-ordinator for the Burmese government's plans to build up and modernise airports, harbours, railroads and communications networks;
- promote joint ventures with local Burmese companies.

Marubeni has announced two joint ventures already: with Dagon Industries, a local company, and Metchem Engineering Services of Singapore to set

up a company to manufacture zinc sheet used in construction. Marubeni is also setting up a joint venture with a Burmese company and a German company to produce soft drinks.

● assist in the development of basic industries such as oil, steel and gas;

● promote exports of agricultural and mining products;

● help with a master plan to attract foreign investment through efforts such as the development of industrial parks.

Since last June, when the *Keidanren*, Japan's most influential business federation, sent a mission to Burma, Japanese companies have expressed growing interest in the prospects offered by

new markets there. A number of trading and construction companies have sent missions to Burma; Mitsui, the trading company, has signed a memorandum of understanding with the Burmese government jointly to conduct feasibility studies in a number of areas.

Marubeni is confident of the growth of the Burmese market. "Any country has risks, so unless you take that risk it is impossible to do anything. We believe the (Burmese) government is a stable one and we expect to see a lot of foreign interest in the country," Marubeni said.

The Marubeni accord is only the latest example of the technical aid that Japan gives to Burma. It is in line with the

Tokyo government's strategy of spreading its own experience of a mixed free market and state-run economy to developing countries, in order to build contacts with emerging markets.

Burma provides a mere 0.03 per cent of Japan's imports, but nearly a third of its own imports come from Japan.

Other examples of Japanese help for Burma include Daiwa Research Institute, the research arm of Japan's second largest stockbroker, which is advising the Burmese government on setting up a stock market.

Mr Zenichi Ishikawa, DRI's research director, admits that a Burmese stock market is several years away, but that it is nearer than in Vietnam, where

DRI has also been hired to advise on a securities market.

Burma, he points out, has the advantage of company laws inherited from its pre-1948 British colonial past. It already has a rudimentary over-the-counter market, in which shareholders in 23, many partly state-owned, companies make matched bargains. The Burmese government has indicated that it wants to move towards free markets and is planning a privatisation programme, said Mr Ishikawa.

DRI, recruited by Burma last November, is preparing training courses in Tokyo for Burmese government officials, to learn the basics of free-market theory, privatisation techniques and the functioning of capital markets.

WORLD TRADE NEWS DIGEST

Saudi legal case eases worries

A landmark legal battle won by a South Korean company against a Saudi government department should help ease fears of foreign companies dealing with the kingdom, lawyers said yesterday.

A lawyer for Hyundai Engineering and Construction said the Grievances Court awarded the company almost \$100m from the Public Works and Housing Ministry in what he said was the largest such award to a foreign company.

Lawyer Salah al-Hujailan was confirming a report in the Jeddah daily *al-Wakeel* that the court awarded Hyundai SR128m (\$34.1m) in overdue payments and ordered the ministry to reimburse the company with a further SR235m (\$67.7m).

The newspaper did not say when the ruling was reached but lawyers in the kingdom said the ministry's payments to Hyundai as a fine for alleged delays in completing the project - was settled earlier this year. The SR128m case ended late last year.

The lawyers did not give precise dates for what is the first news of the rulings.

"This is a landmark case and an unprecedented ruling," Mr Hujailan said of the two cases, that had been dragging in Saudi courts for 10 years. "It has not happened before in Saudi Arabia or in the Arab world that a company had been awarded a compensation as big as this," he added.

Mr Hujailan said the ruling, which was final, and a third case involving Hyundai, should ease fears of foreign companies dealing with the kingdom and encourage them to refer disputes to Saudi courts rather than seek international arbitration.

Many companies doing business with Saudi Arabia often insist on clauses in contracts allowing international arbitration in case of disputes for fear of being unable to resolve them locally, legal experts and diplomats said.

Saudi Arabia has been under pressure for years to observe international business codes to protect hundreds of foreign companies that have alleged discrimination in Saudi Arabia. Last year Saudi Arabia joined the New York Convention, whose members accept arbitration to settle commercial disputes, and applied for membership in the world trade body GATT. *Reuters, Dubai*

India clears investment plans

India yesterday approved 48 foreign investment proposals worth more than \$133m, including an expansion plan of European multinational Asea Brown Boveri, according to a government statement.

Swiss-Swedish conglomerate Asea Brown Boveri won a go-ahead to expand its manufacturing base in India by investing \$16.5m in an ailing company "offering total turnkey solutions for power plants", the statement said. ABB, which already manufactures turbines and generators in India, will now hold a 75 per cent stake in the company, ACC Babcock.

Mitsubishi Corporation of Japan was allowed to form a joint venture to import, store and distribute superior grade kerosene oil in India, and neighbouring Nepal and Bhutan.

Seven of the approved investment proposals were for setting up export-based units in computer software, textiles and food-processing sectors, the government statement said.

India has attracted actual overseas investment flows of \$1.76bn since 1992, after launching economic reforms which ended more than four decades of quasi-socialist market fetters. Foreign investment proposals totalled \$9.1bn in 1992-1994. *AFP, New Delhi*

Russian N-plant offer to Iran

Russia said yesterday it could help Iran build four nuclear reactors in the near future.

The Russian Atomic Ministry said that Moscow would complete construction of a reactor with a capacity of 1,000MW at Bushehr on Iran's Gulf coast under a contract worth about \$1bn signed last month. Moscow could also build a similar 1,000MW reactor and two smaller ones - each with a capacity of 440MW - at the site at a later stage, the statement said.

US deals signed with China

US energy secretary Hazel O'Leary witnessed agreements worth more than \$1bn being signed in Shanghai yesterday, but most were vague promises since real business is stuck in Chinese red tape.

A total of eight agreements were signed by US companies represented in Ms O'Leary's entourage of more than 75 top American business executives. However, all but two were letters of intent which may or may not result in firm contracts. *Reuters, Shanghai*

■ Triton Energy Corporation of the US has signed a contract with the Ecuadorian government to explore crude oil in the country's Amazon region. Triton will invest \$15.5m in the initial exploration phase in return for a percentage of the discoveries made. Ecuador's president said the contract was proof that foreign investors had confidence in the country despite the recent military conflict with Peru. *Raymond Collier, Quito*

■ Kommunar, a Ukrainian defence plant, plans to form a joint-venture with two US companies to make, distribute and sell cellular phones in Asia, Ukraine and other markets. Federal Systems Group, a Virginia-based concern, received a \$3.2m grant under US Nunn-Lugar defence conversion funds and pledged to invest an additional \$3.8m. FSG will convert 15,000 sq ft of factory space and retrain 120 Ukrainian employees. Omni Telecommunications of Illinois will supply technology to produce over 1m phones over five years. *Matthew Semmens, Kiev*

■ Pakistan is set to build a \$516m hydrocracker project in a joint venture with Crescent Petroleum International of Sharjah. Officials say it will save Pakistan \$100m a year in foreign exchange by reducing imports of refined products. Prime Minister Benazir Bhutto is to break ground in Karachi on Thursday at a 250-acre site allocated for the project, with a planned capacity of processing 1.65m tonnes of reduced crude, commonly known as furnace oil, a year. *Reuters, Karachi*

■ Indian vehicle maker Premier Automobiles said it had linked with Fiat of Italy to manufacture Fiat's Uno model in India. The Uno will be manufactured at Premier's Kuria plant in north Bombay, a spokesman said. The first Uno is expected to roll out in January 1996, he said. Motor vehicle analysts say Uno will be competing with Maruti 800, the market-leading small car made by Maruti Udyog, a joint venture between Japan's Suzuki and the Indian government. Half a dozen car producers, including Mercedes-Benz, Volkswagen and Ford, have already announced plans to make executive-model cars in India. *Reuters, Bombay*

■ South China's Shenzhen Group and Robert Bosch of Germany have signed a ¥166m (\$19.6m) contract to form China's biggest gas appliances venture, Xinhua news agency said yesterday. Bosch-Shenzhen Gas Appliances Company will be built in the suburb of Shunde outside the Guangdong province capital of Guangzhou, the news agency said. Bosch will put up 60 per cent of the investment and Shenzhen the rest, it said.

The group will use German technology and management to make "high value-added, safe and pollution-free" gas water heaters and other gas appliances for the Chinese and global markets. Production is expected to begin as early as June and rise eventually to a rate of 1.2m gas water heaters and 1m kitchen stoves each year - 70 per cent for export.

Shenzhen is China's largest gas appliances maker, with 1994 sales of ¥400m and exports of \$9m. *Reuters, Beijing*

■ Swedish public works construction company Skanska said yesterday it had won a contract worth SKr1.3bn (\$173.3m) to build a New York subway line in a joint undertaking with the BTP Perini group. There were no details on what proportion of the project would be carried out by the Swedish company's US subsidiary Slattery. *AFP, Stockholm*

■ Chinese tycoon John Gokongwei said yesterday he would set up a \$650m petrochemical plant in Batangas province, about 50km south of Manila. Mr Gokongwei said the facility would produce polypropylene and polyethylene and will start commercial operations by late-1996. *Manila, AFP*



Peter Sutherland: he may be asked to stay on beyond March

Deadlock on top job at WTO

By Frances Williams in Geneva

A new round of vote-counting among members of the World Trade Organisation is expected to reveal continued deadlock in the three-way contest to head the powerful world trade watchdog when the results become known this week.

Weeks of campaigning by the candidates have produced virtually no shift in the pattern of support, which remains on regional lines. Mr Renato Ruggiero, the European Union candidate, is well ahead of his rivals - Mr Kim Chun-keun of South Korea and Mr Carlos Salinas, former Mexican president, backed by Washington.

Trade officials in Geneva say there will be no progress towards the necessary consensus unless and until one of the candidates withdraws. The US administration is said to be reconsidering its support for Mr Salinas, whose chances have been dealt a possibly fatal blow by Mexico's latest financial crisis, for which he has been blamed.

Nevertheless, trade diplomats do not expect any candidate to back down at this stage, increasing the likelihood that the current WTO chief, Mr Peter Sutherland, will be asked to stay on beyond his agreed leaving date of March 15.

Mr Sutherland has repeatedly said he is not a candidate for the WTO job in the longer term and there is little enthusiasm in Geneva for new names to come forward.

Honda leads race for Vietnam licence

Rivals compete to make motorcycles locally, writes a correspondent in Hanoi

Vietnam's hapless traffic police were only too pleased to accept a gift of 120 new motorbikes from Taiwanese motorcycle maker VMEP late last year.

The additional motorcycles crowding the country's chaotic streets means travel is scarcely any safer. But the marketing ploy may help VMEP's bid for one of the prized motorcycle manufacturing licences the Vietnamese government is expected to award, possibly next month.

Hanoi has not said how many licences will be given, but VMEP's main competitor, the Japanese vehicle manufacturer Honda, is considered frontrunner for the first one.

Honda has picked a subsidiary of the Ministry of Heavy Industry (MOHI) as its joint venture partner and will soon finish a feasibility study on a \$100m plant in the north. The plant, which could start production 14 months after the award of a licence, would be able to turn out 350,000 units in five years.

The other contenders are Suzuki, Kawasaki and Yamaha of Japan, and Piaggio of Italy. All candidates see rich pickings in a country where demand for motorcycles is growing at a brisk 10 per cent a year as Vietnamese dump the traditional bicycle in favour of

motorised transport.

However securing the deals they hope for may not prove an easy ride. Honda had hoped to receive a licence some months ago but the application was held up by wrangling over what form of investment the Japanese would be allowed to make.

Initially, Honda wanted to set up a 100 per cent foreign-owned project, but Hanoi refused. An attempt to compromise with a 90 per cent-owned joint venture met with the same response.

A senior MOHI official said Hanoi would not be content with "anything less than a 30 per cent Vietnamese share".

Honda is still negotiating, but is understood to be close to a deal. Hanoi is also taking a tough line on technology transfer. A law passed in August last year stipulates that 60 per cent of parts used to make the motorcycles have to be made locally within six years of production beginning. The move appears a shrewd way of ensuring the speedy transfer of technology to a country desperately short of it.

"We have learned that in Thailand, in the first 15 years [of motorcycle ventures], Thailand did not get any technology," the senior MOHI official said. "We also want to elim-

Honda's experience in south-east Asia

Time taken to manufacture motorbikes parts locally	Year motorcycle manufacture started	Years elapsed	Percentage of parts made locally
Thailand	1965	29	80
Malaysia	1969	25	70
Indonesia	1972	22	75
Vietnam	1988	6	60
- Targets			

Source: Vietnam Economic Times

nate foreign manufacturers who just want to assemble motorcycles in Vietnam." But many foreign industrialists balk at the time scale, pointing out that other Asian countries that have welcomed foreign manufacturers have set more flexible local procurement rates.

"I just don't see how they can do it," said a foreign businessman. "It's too much to ask."

The difficulty will be finding Vietnamese contractors with the capability to make and deliver parts, given Vietnam's weak infrastructure.

Honda plans to bring in its own parts manufacturers from

Japan to kick start local capability. Honda's confidence may be justified. Few of its competitors doubt that the Japanese company will get a licence soon and that it will secure the lion's share of eventual sales.

Honda already has 80 per cent of the market, partly because smuggled models have been available for many years.

"It's who's going to get the second licence that's the real issue," said Mr Stephen Wyatt, Hong Kong-based business development manager for Piaggio.

Yamaha, the world's second largest motorcycle maker, is also in the final stage of negoti-

ations on a joint venture manufacturing plant. Piaggio is playing the technology transfer card strongly, touting the merits of new models rather than the traditional Vespa scooter, for which the company is widely known.

Industry experts say Suzuki would prefer to set up a motorcycle manufacturing line once it has a licence to make small trucks.

But for VMEP, a unit of the sprawling Chung Fong Group, a Honda licence spells trouble.

Currently VMEP assembles two of its models at two plants under a licence granted in 1992. However quotas on vital imported parts have slowed production. The company hopes to ease this problem by boosting local parts production and received the appropriate licences earlier this year.

Honda's grip on the market is tightening. Its basic 100cc "Dream" model, for example, has achieved virtual cult status among young, upwardly mobile urban Vietnamese. They have no trouble affording the \$2,500 price, itself inflated due to a punishing 60 per cent import tax.

"Based on current market share, Honda's in the driving seat," said a foreign businessman. "I don't think they're too worried."

Peso devaluation adds to Caribbean woes

By Carolee James in Kingston

Apparel producers in the Caribbean Basin are feeling the impact of the devaluation of the Mexican peso, which has boosted the competitive advantage of Mexican clothes in the US market.

While the growth of Caribbean apparel exports to the US has been slowing, Mexican exports grew twice as fast in the first half of 1994 as in 1993. This was a result of its more attractive terms of access under the North American Free Trade Agreement.

Caribbean apparel exporters believe any delay in securing increased access will depress the industry, and make Mexico relatively more attractive. Some business leaders report that prospective foreign investors have already delayed committing themselves to a Caribbean location, or have decided in favour of Mexico.

Exports to the US from the 24 member countries of the Caribbean Basin rose by 20 per cent between January and September 1993 compared with 13 per cent last year. By comparison, Mexican exports, which grew by 19 per cent in the first half of 1993, climbed by 42 per cent, according to the Caribbean Textile and Apparel Institute, an industry lobby group.

"We expect to suffer further with the devaluation of the peso," said Mr Peter King, chairman of the institute.

Caribbean apparel exports to the US are excluded from preferential treatment under the Caribbean Basin Initiative because US industry feared a flood of cheap imports. The initiative allows some products duty-free access to the US. However, as a result of a series of bilateral treaties, the Caribbean exporters have been increasing their sales to the US.

Most apparel exports to the US come under "section 807" of the US tariff code. This allows garments to be assembled in the region from fabric made and cut in the US and re-exported to the US with duty paid only on the value added in assembly.

Apparel plays a big role in the Caribbean's economic life. Its share of the US market grew from 11.9 per cent in 1992 to 13.74 per cent in 1993, compared to 14.9 per cent held by the Association of South-East Asian Nations, 4.15 per cent by the European Union, 2.24 per cent by Latin American countries and 1.88 per cent by African states.

Caribbean economies earned \$3.9bn from apparel sales in 1993, with most going to the Dominican Republic, Costa Rica, Guatemala, Honduras and Jamaica. The industry employs 450,000. The threat posed by the Mexican devaluation coupled with Washington's deci-

sion last year to postpone its introduction of legislation giving the Caribbean Basin's apparel industry tariff "parity" with Mexico's, explains much of the region's anger.

The US initiative would have removed all US tariffs and quotas on textile and apparel imports from Caribbean Basin countries.

The proposal formed part of an interim trade bill attached to legislation ratifying the Uruguay Round of the General Agreement on Tariffs and Trade. But it was withdrawn - under pressure from US garment workers' unions - by the US administration because of fears that it would impede the GATT legislation. The withdrawal of the interim trade legislation was "particularly upsetting" in light of the repeated assurances by the US, said Mr King. "This action is a breach of faith by the US administration."

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NEWS: INTERNATIONAL

Many executive members look set to stay away

Arafat calls meeting to reassess peace deal

By Julian O'Sullivan in Jerusalem and Randa Khalef in Tunis

Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, looked last night to be taking a high-risk gamble by convening the PLO's highest decision-making body to reassess the faltering peace process with Israel.

The PLO executive is due to start meeting tonight in Cairo, in what Mr Arafat has clearly intended to be an exercise designed to bring pressure on Israel to deliver its part of the peace deal, by withdrawing from the occupied West Bank and clearing the way for Palestinian elections.

But because of deep divisions within the PLO governing body over the direction of the peace process, it looked unlikely last night that Mr Arafat would gather a quorum, risking a blow to his legitimacy and authority. Executive members who have backed the peace process, as well as those who were hostile from the outset, looked set to stay away.

Mr Arafat said in Paris yesterday.

terday. "We are committed to the peace process but at the same time we have arrived at an impasse. Because of this, tomorrow we will have a very important executive committee meeting in Cairo."

Mr Ahmed Qureia (Abu Ala), an Arafat loyalist who helped negotiate the limited self-rule deal with Israel in 1993, said the executive "will take decisions to reinforce the peace process".

But other leading PLO figures, including Mahmoud Abbas (Abu Mazen), who signed the 1993 deal on the PLO's behalf, and Mr Farouq Kaddoumi, leader of Mr Arafat's Fatah faction, are hostile to the meeting's intentions.

On Sunday, Mr Jassim Sourani, an independent member of the committee and secretary general of the PLO, said the peace process was dead.

In the occupied territories, the left-wing Palestine People's Party, which has solidly backed the peace process, said its leader, Mr Suleiman Najjar, would not be going to Cairo.

One PLO official in Tunis

dismissed the hastily convened Cairo meeting as "an insult". "The problem is too serious; we can't just meet for two hours and come up with a statement."

Mr Arafat's last attempt to bolster his position by calling a PLO executive meeting - in the PLO-ruled autonomous territory of Gaza last November - broke up in disarray, with only eight out of 18 members of the body taking part.

But the persisting paralysis in the peace process, with Israel refusing to withdraw further from the occupied territories until the incipient Palestinian Authority cracks down on radical Islamic groups, has led to erstwhile PLO supporters of the self-rule deal moving towards the rejectionist camp.

Mr Arafat has not been able to convene a meeting of the executive of Fatah, nor of the Palestinian National Council, the quasi-parliament of the Palestinians, for fear of being forced into a minority. This has added to growing criticism of his secretive leadership style and lack of accountability.

Kyrgyzstan poll set to boost reform

If he wins, Akayev will be pressed for more change, writes Steve LeVine

Supporters of Mr Askar Akayev, president of the remote and mountainous republic of Kyrgyzstan, are counting on his having secured a strong mandate in elections held at the weekend so as to allow him to make good on his promises of market reform.

In a country where half the 4.4m population still pursues a

dates and allegations of fraud - produce a parliament that is more "manageable" from the president's point of view.

Mr Akayev will no longer be able to use the excuse that stubborn communist bureaucrats are holding up his reforms.

International lending institutions, accustomed to doing business with far less charming ex-Soviet politicians, have showered Mr Akayev with praise and financial backing.

International institutions have showered Mr Akayev with praise and financial backing

traditional way of life, the 50-year-old physicist dreams of creating the first economic success story in ex-Soviet central Asia.

The turnaround would be based on food processing, gold mining and - more optimistically - financial services.

But the pressure on Mr Akayev to put these ambitious ideas into practice will be stronger if, as expected, the elections - the results of which have been delayed until today after protests from some candi-

manipulation of votes after the polls closed, one diplomat said. But the aftermath of the election may prove to be harder than the campaign, for Mr Akayev's supporters will be looking to him to make proper use of his new freedom of action.

In the words of one western analyst in Bishkek, the Kyrgyz capital, "You've seized power, so now let's see what you do with it."

The next several months will indicate whether Kyrgyzstan will at last attract the scale of foreign investment needed to follow up on western support.

Mr Akayev has enjoyed since the Soviet collapse. International lenders thus far have seen the republic as a showcase for what monetary and fiscal discipline can



the first CIS member country to achieve growth since the Soviet disintegration.

In the gold sector, Canada's Cameco is working on the large Kumtor deposit, and the US company MK Gold has a contract for a second mine, Jertol.

The government says gold production reached two tonnes last year, up 31 per cent from 1993, and it has set an ambitious target of mining 20 tonnes by 1998.

Mr Akayev has yet, however, to take the next big step - reform of the agricultural sector which was supposed to get under way this year.

The sectors with potential for growth include livestock (including sheep, goat, cattle and pigs), mechanised grain production and sugar beet as well as tobacco and medicinal plants.

The current state of agricultural reform was illustrated by figures released recently by the Kyrgyz prime minister, Mr Apas Junaev.

Since December, he said, 300 collectivised farms had been ostensibly restructured, but the process had gone so badly that more than 220 of them have been reorganised.

De Klerk pledge on national unity

By Roger Matthews and Mark Suzman in Cape Town

South Africa's National Party is committed to remaining part of the government of national unity, Mr F.W. de Klerk, party leader, said in Cape Town yesterday.

Mr de Klerk, one of two deputy presidents, had angrily threatened to quit the cabinet last month after a clash with President Nelson Mandela. The argument within the coalition government sent prices lower on the Johannesburg stock exchange and caused a flurry of international investor concern.

But yesterday Mr de Klerk described his working relationship with Mr Mandela as "correct, frank and cordial". During the weekend meeting of the

National Party caucus, not a single member had raised the issue of pulling out of government, he added.

"This is not an issue or a subject of debate within the party. Rather, we are talking about how best we should play our role. We will continue with dedication to work within the government of national unity."

Mr de Klerk also appeared anxious to commit his party to a more permanent power-sharing agreement with the majority African National Congress. It was vital the main actors remained part of the decision-making process, he said. In drawing up the new constitution, it was important to the long-term stability of the country for a way to be found of perpetuating the present arrangement.

INTERNATIONAL NEWS DIGEST

World output in crude steel rallies

World production of crude steel rallied in the first month of 1995 after last year's slip back towards the lowest levels of the recession three years ago. Total crude steel production in January was 60.7m tonnes, a 6.9 per cent rise from January 1994, the International Iron and Steel Institute reported yesterday. Preliminary figures for full-year production in 1994 had shown global output at 728.5m metric tonnes, down from 730m the previous year and well below the 1989 peak of 786.8m.

In Asia, the region which has shown consistent growth over the past decade, steel producers reported another year's steady increase in output. Total crude steel production for the region in January was 21.7m tonnes, 5.4 per cent up on a year earlier. In Western Europe, a robust recovery was signalled by an increase in January's production to 14.5m tonnes, up 12 per cent on January 1994. Crude steel production in the former Soviet Union continued to decline, with output dropping to a preliminary 7.8m tonnes last year, down from 153.3m tonnes in 1993. Eastern Europe maintained signs of a modest recovery. Production was up to 2.8m tonnes, an 8.6 per cent rise on January 1994 but little more than half of monthly output eight years ago. James Harding, London

Turkmenistan bank decree

Turkmenistan's President Saparmurat Niyazov yesterday issued a decree wiping out government ministries' debts to banks as of February 1 and requiring them to hand over 75 per cent of their 1994 income to pay for public projects. Banks are also required to lend money to state enterprises at an interest rate of 15 per cent a year, a fraction of the inflation rate that has taken the value of the national currency, the manat, from two to the dollar at its launch in October 1993 to 200 now. The decree says it aims to establish the "highest possible profitability of banks", but adds that excess profits should be transferred to the state budget. Reuters, Ashgabat

Jordan in first state share sale

In its first big step towards privatising state holdings, Jordan has accepted a bid for 54 per cent of a five-star hotel, the head of the state investment body said yesterday. The sale was for 2m shares of a total of 3.6m shares in the Jordan Hotels and Tourism Company. Jordan Investment Corporation (JIC), the investment arm of the government, will retain a 32.7 per cent stake in the hotel, down from 87.7 per cent.

"The corporation has in principle agreed to sell 62.3 per cent of its shareholding in the international hotel to a group of Arab and Jordanian investors," Mr Mohammad Batayneh, Arab and Jordanian investors, Mr Batayneh said. Mr Batayneh, general manager of JIC, told Reuters. Mr Batayneh said Zira Investment Company made the highest offer among foreign, Arab and local investors bidding for the 383-room hotel. He said he expected the JIC board to approve the sale next week. Zira is Jordan's largest private sector company in tourism, with plans to put \$100m into hotel ventures. Reuters, Amman

Kenya clamps down on group

Kenya has banned a non-governmental organisation which published a report alleging that high-level corruption had reached alarming proportions in Kenya, a government statement said yesterday. The official notice outlawing the Centre for Law and Research International (Clarion) accused the organisation of "disseminating inaccurate and unsubstantiated material of a political character which gravely injured the credibility of the Kenyan government". Last month Clarion released a voluminous report accusing the government of aiding and abetting high-level corruption. AFP, Nairobi

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NEWS: THE AMERICAS

Bills sale today aimed to finance debt service

Argentina's auction will test confidence

By David Pilling
in Buenos Aires

Argentina will seek today to auction \$230m (\$146m) of short-term treasury bills on the domestic market, in a crucial test of investor confidence. The auction is part of the government's programme to finance debt service payments of more than \$5bn this year.

Argentina's path to longer-term international finance has been effectively blocked by the Mexican crisis, which has sharply increased the perceived risk of most Latin American economies and so the interest-rate premium to be paid on sovereign issues.

Following the decision by Mr Domingo Cavallo, the Argentine economy minister, to avoid international issues altogether until normality returns, Argentina has been forced to turn to its illiquid domestic market for funds.

The treasury intends to raise

a total of \$1.7bn in the first quarter through weekly auctions of 90- and 180-day notes, or *letras*.

In the first such auction last week, the government sold \$272m in 90-day notes at 10.4 per cent, 280 basis points higher than was the rate just before the Mexican crisis. The auction was regarded as a moderate success but the treasury surprised many by placing more than the \$200m originally planned, even though this meant raising the coupon from 9.75 to 10.4 per cent.

"This gave the impression that the government was desperate for the money," one trader said.

The auction today will be closely watched because it follows the sharp fall last week on the stock exchange, which brought the February fall of the Merval index to 17 per cent. One analyst said there was "very little enthusiasm" for today's auction.

The Merval closed up by a marginal 1.5 per cent yesterday, on very thin trading, as investors awaited firmer news on Mexico's rescue.

Mr Adalberto Rodriguez Giarini, an opposition economist, believes that, in turning to the domestic market, the treasury risks "crowding out" other potential issuers and pushing up interest rates.

"The availability of credit will be scarce and the demand intense, once you add the state and the big companies that had been financing their needs abroad," he added.

Many observers believe Argentina may try to ease its financing needs by asking the IMF for funds, though Mr Cavallo has denied this often. An IMF team is in Buenos Aires negotiating the possibility of an "enhanced monitoring" of the national accounts, agreement to which would raise Argentina's international credibility.

Caribbean protest at plan to ship N-fuel through region

By Canute James in Belize City

Caribbean governments have told Britain, France and Japan to prevent the passage through the region of a shipment of nuclear waste which is to leave France tomorrow for Japan.

Caribbean Community (Caricom) leaders, meeting in Belize City, are sending strong letters to London, Paris and Tokyo, asking them "to respect the clear position of the Caribbean Community in this matter, now and in the future."

The controversial shipment is made up of waste from the reprocessing of spent nuclear fuel from Japan, which British Nuclear Fuels and Cogema of France have been doing since 1988. It is the first shipment of waste back to Japan, where it is to be stored.

Representatives of BNFL and Cogema have said there is no

basis for growing concern about the safety of the shipment, the first of several to be made over the next 15 years.

But environmental protection groups in the Caribbean and Greenpeace International, the environmental group, say the shipment is a threat to countries along its route. "The region is concerned about the recurring threat posed by the shipment of hazardous and radioactive material through the Caribbean Sea," said Mr Manuel Esquivel, prime minister of Belize and chairman of the Caricom meeting.

"We are totally opposed to any such shipment, and we are calling on the parties involved to desist from using the Caribbean," Mr Esquivel said.

The reprocessing and transport of the material between Japan and Europe, and its reprocessing at BNFL's Sella-

field plant in England and Cogema's plant at La Hague in France, has never threatened any country, said Mr Malcolm Miller, BNFL's operations manager for transport.

The UK-registered ship which carries the nuclear waste has met all the requirements of the International Atomic Energy Agency and the International Maritime Organisation for the transport of nuclear material, Mr Miller added.

Representatives in Washington of the US possessions of Puerto Rico, the US Virgin Islands, American Samoa and Guam, and of the US state of Hawaii, have asked President Bill Clinton to demand that the British, French and Japanese governments postpone the shipment of nuclear waste until concerns about its safety are resolved.

Turbulence ahead for Brown the high-flyer

Nancy Dunne reports on why the much hailed US commerce secretary is under investigation for alleged irregularities in his business affairs

Just one month ago Mr Ron Brown was in top form and flying high. Shepherding 26 chief executive officers around India on a presidential trade mission, he was being hailed by business leaders as one of the most effective US commerce secretaries ever.

Indeed, nothing seemed beyond his reach - a run for Senate in his native New York, the chairmanship of a leading US corporation and, some said, even secretary of state.

But, even while in India, there were inklings of trouble. The Wall Street Journal reported that a former business partner, Ms Yolanda Hill, had paid \$190,000 (\$123,500) of Mr Brown's personal debts. "Mr Brown is certain to face additional scrutiny, given Washington's changed political climate," the story said.

As Mr Brown witnessed the signing of \$7bn in deals, Ms Carol Hamilton, his press secretary, was depressed. As the popular choice to run President Bill Clinton's re-election campaign, Mr Brown was an important political target. Republicans, she said, would try to bring him down.

At the request of 14 Republican senators, Ms Janet Reno, US attorney-general, last week launched a 90-day preliminary investigation, which could lead to the appointment of an independent counsel to look into his affairs. This was an acknowledgement that there existed "specific allegations of wrongdoing from a credible source", she said.

Some of Mr Brown's financial arrangements appear, at the very least, peculiar. In his three-year partnership with Ms Hill in First International Communications Corporation, she was to run the investment firm and he was to be the "rain-maker" - the person who brought new business to the firm.

Mr Brown, it seems, never made much rain. The company's only asset, according to published reports, was a \$12,000 monthly payment on a



Ron Brown: Powerful Democrat with a long reach

Picture: Reuters

a loan from another of Ms Hill's companies, Corridor Broadcasting, which in 1991 had defaulted on \$40m in loans held by the Federal Deposit Insurance Corporation and the Resolution Trust Corporation. That same year, and the next, Corridor made almost \$64,000 in contributions to the Democratic party, according to the New York Times.

Alleged to be perturbed by the scrutiny to which partners of cabinet officials are subject, Ms Hill bought Mr Brown's share of the business in 1993 for more than \$400,000 (including payment of some debts). He had invested nothing in the company.

So what was the *quid pro quo*? Thus far, the sleuths in Congress and the press have turned up a lunch at the White House for Ms Hill, along with corporate leaders, and some work thrown to Corridor

Broadcasting to make videotapes for the Democratic party's convention.

Investigators allege Mr Brown could have lied about his holdings during his confirmation hearings as secretary. He could have falsified his financial disclosure forms. He could have been part of a scheme to defraud the FDIC. How much Mr Brown knew about the linkages among Ms Hill's other business ventures will bear directly on the outcome.

Even without hard evidence of wrongdoing, it doesn't look good politically for Mr Brown, who is referring queries to a lawyer. He defended himself, to the Wall Street Journal, insisting that his business dealings had been "made to sound sinister" but were in fact no different to those of other prominent figures who lend their names to business ventures.

AMERICAN NEWS DIGEST

Sharp jump in Brazil's output

Brazil's industrial production in the second half of last year jumped 18.2 per cent from that of a year earlier, following the launch on July 1 of the country's new currency, the Real, which stabilised prices and speeded economic growth.

The government's IBGE statistics agency, releasing the provisional figure yesterday, said higher than expected year-end demand had led to record December industrial production. In private, many businessmen say output has remained well above expectations in the first weeks of this year, and the government is starting to worry about overheating in some areas of the economy.

Industrial production for the year as a whole grew 7.6 per cent, similar to the 7.5 per cent growth recorded in 1993. Among sectors with the fastest levels of growth, IBGE highlighted the mechanical, electronics and consumer electronics industries. *Angus Foster, São Paulo*

Haitian call for elections

Four months after President Jean-Bertrand Aristide was restored to power in Haiti, the provisional electoral council yesterday called for general elections in June.

The first round of voting is to be held on June 4, with a second round for undecided parliamentary seats set for June 25, the council said. All 83 seats in the Chamber of Deputies and two-thirds of the 27 seats in the Senate will be contested, as well as nearly 2,200 state and local elected posts.

Father Aristide, after three years in exile through a military coup, was returned to power with the peaceful intervention of a US-led multinational force. *Reuters, Port-au-Prince*

US garment unions to merge

The two biggest garment industry unions in the US are to merge, in an effort to meet the challenges of a global economy which has driven many of their jobs overseas.

The International Ladies' Garment Workers' Union (ILGWU) and the Amalgamated Clothing and Textile Workers' Union (ACTWU) said yesterday their merger would form one of the largest manufacturing unions in North America.

The merged union, to be called the Union of Needletrades, Industrial and Textile Employees (UNITE), will have 355,000 members in the US, Canada and Puerto Rico.

To launch the new union, UNITE will initiate an organising drive supported by \$10m (£5.3m), the groups said in a statement. *Reuters, Bal Harbour, Florida*

Cuba seeks to pump more oil

Cuba is seeking to produce at least 1.4m tonnes of domestic crude oil this year, 100,000 tonnes more than in 1994, authorities said on yesterday.

The target was set at a meeting of the basic industries ministry, reported by the weekly trade union newspaper *Trabajadores* (Workers).

The newspaper noted that of domestic production last year, some 934,000 tonnes went for electricity production. Domestic oil was the source of 27 per cent of electricity production in Cuba, the newspaper added.

The Caribbean island's domestic crude is of a very heavy quality, with a high sulphur content, and is used mostly in electricity plants and cement manufacturing.

Cuba, its import capacity having been sharply reduced amid a domestic economic crisis, has been seeking to increase output of domestic crude. It produced 1.1m tonnes in 1993. *Reuters, Havana*

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Bank chairman's bonus criticised

By John Gapper, Banking Editor

Lord Alexander, chairman of National Westminster Bank, is likely to receive a performance-related pay bonus of about £100,000 for 1994 under a pay contract that was yesterday criticised by Mr Gordon Brown, the opposition Labour party's shadow chancellor.

NatWest, which is expected to announce this morning that it made pre-tax profits of about £1.5bn last year, has just made a pay offer to its 55,000 branch banking staff under which some would receive no basic pay increase this year.

Lord Alexander's one-year contract, to be disclosed in the annual report at

the end of March, entitles him for the first time to a bonus in line with executive directors. This would have been 35.5 per cent of basic salary in 1993.

The bank is also likely to be criticised by unions over the contract, which raised Lord Alexander's basic salary to £204,000 last year. His bonus could be higher than 35 per cent because of the rise in NatWest's profits last year.

Mr Brown said the bonus showed executives of privatised utilities "are not alone in granting themselves large pay increases." He claimed that bank customers would be "surprised and disappointed" by Lord Alexander's pay package. The bank emphasised that

Lord Alexander works full-time for the bank despite being a non-executive chairman. It said that his "role at the centre of the group" was reflected in his contract, which began on April 1 last year.

Lord Alexander and 20 NatWest executives may also receive free shares in three years' time in addition to share option entitlements. NatWest has introduced a scheme intended to reward executives with shares if it meets targets.

In 1993, Lord Alexander received basic pay of £288,875 and total remuneration of £662,157, including £37,285 paid to a private pension scheme.

A sum equivalent to 30 per cent of his annual salary was paid to his pension scheme last year.

Mr Brown's attack on Lord Alexander's remuneration follows Labour criticism of banks for not passing on benefits to customers from profit rises. Labour also wants companies to seek shareholder approval for executive pay schemes.

NatWest has just made a pay offer to 55,000 branch banking employees under which some will receive no basic pay increase and others will receive a basic pay rise lower than the current 2.9 per cent rate of inflation.

NatWest Indian move, Page 22

Iraq trade team to be investigated

By Jimmy Burns

Britain's Department of Trade and Industry is investigating a possible breach of sanctions by the organisers of a UK trade delegation to Iraq.

Officials have confirmed that the investigation is focusing on the activities of Mr Stephen Crouch and Mr Edmund Sykes, director and secretary of the Iraqi British Interests (IBI) Group, a commercial lobby unit.

Mr Crouch and Mr Sykes have in recent months been pursuing contacts with Iraqi officials in preparation for a visit to Baghdad this week by some 20 UK companies.

Under UK legislation governing relations with Iraq, UK citizens are free to travel to Baghdad but must first obtain a communication licence from the department if they wish to trade or discuss trade. The present UN sanctions regime trade with Iraq is restricted to food, medicines, and other essential humanitarian goods.

While communication licences are thought to have been issued by the department to the companies on the delegation, no such licences have

been issued to the organisers, according to government officials.

Concern about the IBI Group has been heightened amid signs that the Iraqi regime is moving to exploit the visit for propaganda purposes. In an open letter published this week, the state-run Baghdad Observer praised the "extraordinary move" by British businessmen and said their visit was a sign that the UN stand on sanctions was crumbling.

Mr Crouch told a meeting of UK businessmen in London last month that the IBI group was in a key position to encourage UK trade with Iraq. "We have unique access to all the ministries," he said.

Last September, Mr Crouch was in Amman with Mr Henry Bellingham, parliamentary private secretary to Mr Malcolm Rifkind, the defence minister. Mr Bellingham said his visit was "private" and that he met Iraqi officials with Mr Crouch at a social function.

DTI and foreign office ministers have been under increasing pressure from MPs and human rights organisations to clarify the government's position regarding the IBI.



Shoppers watched bewildered as bailiffs itemised goods at Harrods' store yesterday

Top people's store in school name row

Bailiffs yesterday entered Harrods, the famous west London department store, to serve a writ for £130,000 (£212,800) it owes in legal costs to a local preparatory school, John Aulders writes.

The bailiffs also earmarked goods to the value of the bill - including eight Chesterfield suits worth £5,000 each - to be seized if necessary.

The Harrods store had unsuccessfully attempted to force the Harroddian school, opened in 1983 in the store's old staff club building in Bayswater, south west London, to change its name.

The High Court ruled last May that the school and its founder Sir Alford Housham-Boswell were not trying to cash in on the reputation of

the store, which had not sold goods or services under the name Harroddian since the 1940s.

Harrods has lodged an appeal and has not yet paid the legal costs to the school, whose annual fee income is about £500,000. It dismissed the bailiffs' visit as "an outrageous piece of opportunism" in a search for publicity.

UK NEWS DIGEST

Derailment hits channel train service

A Channel tunnel freight shuttle train was partially derailed yesterday as it entered the tunnel at Folkestone in Kent.

Eurotunnel said nobody was hurt in the incident and the train remained upright but one of the tunnel's two tracks was blocked, disrupting traffic for several hours. This is the first time that an incident has occurred involving a train in the tunnel, but there has been a series of mishaps to trains using the tunnel rail network.

The locomotive of the train involved in yesterday's incident had just entered the tunnel when an empty carriage towards the rear went off the rails. Train staff uncoupled carriages in the middle of the train allowing the front locomotive and 14 carriages, each carrying one truck, to go on to France. The rear section of the train, with 14 carriages but only three trucks was brought back to the Folkestone terminal. Truck drivers, who travel in a special club car at the front of the train did not have to leave the train.

Eurotunnel said an investigation would be carried out but it could not immediately say what the cause of the derailment.

Charles Batchelor, Transport Correspondent

Former BCCI staff in 'stigma' court move

Former employees of the collapsed Bank of Credit and Commerce International will today ask the Court of Appeal to recognise that they can claim compensation because the bank's bad reputation stops them getting new jobs.

According to leading employment lawyers the claim for "stigma compensation", if successful, could prove to be a landmark, although each individual case would still have to be proved on its merits.

The original case was dismissed by the High Court last year and is being strongly resisted by the liquidators to the bank, the accountants Touche Ross. If successful any claim would be made against the assets recovered by the liquidators. The bank crashed in 1991 with debts of \$10bn and 1,200 people on the payroll in the UK. The BCCI Campaign Committee, which claims to represent the workforce and has won legal aid for the appeal, says 600 are still without jobs. Jim Kelly, Accountancy Correspondent

Computer ownership seen rising rapidly

One in seven households in Britain, or 3.3m in total, owned at least one computer at the end of September, and the number is growing by 3,250 a day, says research from GfK Marketing Services. GfK's quarterly survey showed that almost 1.2m homes had acquired a computer in the previous 12 months.

The survey also confirms that an increasing proportion of the new PCs bought for use in the home are top-of-the-range multimedia computers equipped with CD-Rom drives. Multimedia machines accounted for 32 per cent of purchases in the six months to the end of September. Paul Taylor

Approval granted for genetic food products

The British government has given formal safety approval for three foods made from genetically engineered plants. They are tomato paste from Zeneca of the UK, rapeseed oil from Plant Genetic Systems of Belgium and soya bean extract from Monsanto of the US.

The Ministry of Agriculture said the foods would not have to be specially identified for shoppers, but manufacturers would be encouraged to provide informative labelling on a voluntary basis. Zeneca's tomato paste - expected to be the first genetically engineered food on the UK market - will be labelled this way. Clive Cookson, Science Editor

Airline to fold: Euro Direct Airlines, based in Slough, near London's Heathrow airport, is to cease operations on Sunday with the loss of 180 jobs. The company blamed high costs for the failure after just 10 months in business and said all passengers who booked after Sunday would get their money back. The company operated from Bournemouth, Stansted, Exeter and Humberside airports to destinations included Paris, Brussels and Hamburg.

Holiday companies revise view: UK tour operators are revising bullish predictions made last month for summer package holiday sales in the face of sluggish demand and rising costs. Thomson, the largest tour operator with 30 per cent of the market, says that it had been predicting sales growth of about 10 per cent this year compared with 1994, but is now predicting 5 per cent.

Airtours, the second-largest operator, said it had thought the market would grow by up to 5 per cent this year. It now believes that the figure will be nearer zero than 5 per cent. Last year was exceptionally good for the industry. There were 11.42m summer package holidaymakers last year compared to 9.69m in 1993 and 9.22m in 1992, according to the Civil Aviation Authority.

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NEWS: UK

Abu Dhabi set to relaunch failed Scots hospital

By James Buxton,
Scottish Correspondent

Health Care International, the private hospital at Clydebank in Scotland, which went into receivership in November only eight months after it opened, is being relaunched under the ownership of the state-owned Abu Dhabi Investment Company.

The Abu Dhabi company yesterday purchased the business and equipment of HCI from receivers

Arthur Andersen and agreed to lease the hospital building and its adjoining hotel from the syndicate of banks which helped fund the original venture. The Abu Dhabi company will have an option to purchase these assets from the banking syndicate.

With uncertainty over the future of the hospital removed, HCI hopes to fulfil the original project to operate a hospital specialising in complex medical treatments which it will market to patients in the Middle

East, southern Europe and Africa. HCI went into receivership after Credit Lyonnais, a member of the banking syndicate which had lent HCI £80m (\$125.6m), refused to advance more finance to solve a cashflow crisis resulting from a slow build-up of patient numbers.

The price being paid by the Abu Dhabi company is not being revealed. It is contributing capital of £20m to the new company which will own HCI.

The hospital has continued operat-

ing during receivership and made only about 50 of the original 425 staff redundant. The Abu Dhabi company, which took a small stake in HCI two years ago, has helped meet HCI's operating costs since receiving exclusive negotiating rights in early January.

HCI has been treating patients from outside the UK as well as those referred by hospitals in Britain's state health service. However, late last week there were only 20 patients in the 275-bed facility. Mr Colin

Edwards, manager of the Abu Dhabi company's projects department, said this was due to uncertainty about the medium-term future of the hospital.

HCI expects to increase staff to 600 by the end of the year, eventually reaching the original target of 1,800 jobs. Patient number targets are not being disclosed.

HCI cost £180m to build and equip. About £90m of that was equity and £90m came from the public sector in grants, loans and equity. Some £4.4m

of regional selective assistance will be available to HCI provided it creates the promised number of jobs.

Although states such as Abu Dhabi have built sophisticated hospitals, these do not handle enough complex cases to justify retaining medical teams of HCI's type, Mr Edwards said.

Dr Larry Hollier, chief of HCI's medical staff, said HCI would step up marketing in the Gulf states, Turkey, Egypt, Greece, Nigeria, Algeria and Italy.

'Feel-bad' factor hits consumer confidence

By Peter Norman,
Economics Editor

The "feel-bad" factor in the British economy has hit consumers after a brief post-Christmas boost, with confidence deteriorating sharply this month, according to the latest Gallup survey.

The poll, carried out for the European Commission, shows a sharp drop in expectations about general economic developments so far this year, possibly triggered by the recent rise in bank base rates. Although there was only a slight worsening in the way people assessed their own financial positions, pessimism about prices and unemployment over the next 12 months ran much deeper.

When asked how the general economic situation would develop over the next 12 months, 37 per cent of the 2,161 adults polled between February 1 and 4 said they expected it to worsen, compared with 31 per cent in January.

Only 23 per cent said they thought it would improve, against 27 per cent in January, leaving a negative net balance of 14 per cent this month. This indicated greater pessimism than January's negative net balance of 4 per cent, but less gloom than December's minus 20 per cent result.

The February poll coincided with the most recent half percentage point increase in bank base rates to 6.75 per cent, while December's gloom may have mirrored an earlier half-point interest rate rise and mini-budget excise duty increases.

Consumer confidence often perks up in January only to fade in later months. Mr Graham Williams, a Gallup research executive, said it would take until April to assess whether February's downturn in confidence reflected this seasonal pattern.

Although people were generally pessimistic about their own financial prospects, they were only slightly more gloomy than in recent months.

Car dealers are told there are far too many of them

By John Griffiths

FT About a third of the UK's 7,000 franchised dealerships need to disappear if car retailing and servicing is to offer a viable return on investment, Sir Trevor Chinn, chairman and chief executive of the country's largest dealer group, said yesterday. His Lex Service group controls 120 car dealerships in the UK as well as outlets in California and France.

Continuing over-capacity in car production would produce a "fiercely competitive climate for the foreseeable future", he said at the Financial Times Motor Conference in London.

Mr Neil Mullineux, an industry analyst and consultant with Bowfell Research Associates, said at the conference that three-quarters of Europe's 100,000 car dealers would have to disappear if the US average of 500 car sales a year per outlet were to be achieved. "In the next ten years the number of dealers will probably fall by half to 40,000 or 50,000."

He produced statistics showing that north American car dealers on average sell at least four times as many cars per outlet as their European counterparts. Sir Trevor said dealer problems were increased by carmakers "destabilising" the market through heavy direct

sales to fleets. Greater car reliability and durability had severely reduced service and repair business, traditionally a dealership's main profit centres.

Research showed that consumers were prepared to travel 25 miles to buy a car, but only 10 miles to have it serviced. "This leads to the logical conclusion that the dealer network should be structured with a smaller number of easily accessible car showrooms and a series of local satellite service centres," he said.

Sir Trevor was commenting on the future for car retailing after the European Commission's "block exemption" for the trade from EU competition rules is renewed in June.

The current exemption, which is about to expire, allows carmakers to operate networks of selective and exclusive franchised dealers on the grounds that cars have strong safety considerations, thus requiring specialised distribution and after-sales networks. The revised EU exemption is expected partly to remedy dealer complaints that the current rules are too biased towards manufacturers, restricting dealers' ability to sell aggressively, for example by setting up multi-franchise operations.

Both Sir Trevor and Mr Mullineux said economic and competitive pressures would create upheavals for dealers irrespective of new EU rules.

Besieged PM weighs lurch to the right

The changing nature of the Conservative party has left John Major vulnerable, writes Philip Stephens

Listen to the drumbeat from the Tory right. Salvation lies in your hands, Mr Major. Tell Brussels to get stuffed; knock 5p off the basic rate of income tax before the election; get the scrummers off benefit; lock up the hooligans; keep out the immigrants; tell Brussels to get stuffed. If Kenneth Clarke doesn't like it, sack him. Your leadership will be safe. Our people will come flooding back. You might even win the election. The handover to the right's heir-apparent Michael Portillo can be at a time of your choosing not of his.

It is a tune heard not only from the irreconcilables on the back benches at Westminster. There are echoes now from the party in the country. In different times the Eurosceptic MPs who have deprived the government of its majority at Westminster would have been pariahs. Their local associations would have offered a simple choice: loyalty to the government or deselection. But the centre of gravity in the Conservative party has shifted. Ideology now ranks ahead of loyalty. So the nine rebels exit in their excommunication. They are the victims. It is the prime minister who must repent.

No-one could blame as desperate a leader as Mr Major for listening. He has tried everything else. The odds are that his administration is doomed whatever. If nothing else, a lurch to the right would protect the prime minister from the very real threat of a leadership challenge in the autumn. But the escape route offered by

his enemies is a cruel illusion. It would turn the probability into the certainty of defeat at the next election.

That the government is disintegrating under the weight of its own divisions is no longer denied even by those who sit around the cabinet table. There are still some, foreign secretary Douglas Hurd among them, who will tell you that the game is not lost. The foreign secretary has spent the past five years patching up divisions in the cabinet over Europe. But Mr Hurd's skilful compromises no longer hold beyond a few days or weeks. Europe has become the Bosnia of this government. Each truce is no more than a chance for warring factions to re-arm; neither side cares too much about what will be left when they have fought each other to a standstill.

The malaise stretches well beyond the cabinet and the government. The factionalism at the top is a symptom and a cause of a much deeper decay. Membership of the Conservative party nationally has been haemorrhaging. As its disillusioned supporters depart, the character of the party is changing. The common sense of the half-committed is being replaced in the constituencies by ideological fervour.

The curious structure of the party - it comprises a series of voluntary associations over which the national organisation has only limited control - means there are no precise statistics. But it is widely agreed that during the 1950s the party

could claim between 2.5m and 3m members. By the mid-1970s the number had fallen by half to around 1.5m. Mrs Margaret Thatcher may have managed to slow the rate of decline during the mid 1980s but she failed to reverse it. Over the past two or three years it has accelerated. The best unpublished guess of officials at Conservative Central Office puts the number now at well below 500,000. That errs on the side of optimism.

Talk to the average Tory MP and the story is much worse. Local recruitment and fundraising have collapsed. The progressive decline of the party's base in local government - it has lost a third of its council seats during the past decade - has deprived it of the locally-ambitious. The solid citizens who once aspired to lead the district council are better off now signing up for the centrist Liberal Democrats.

The obvious parallel is with the Labour government of the late 1970s. The left blamed the unpopularity of Mr James Callaghan's administration not on the arrogance of the trade unions or on the divisions within the cabinet and parliamentary party. No, the problem was that he did not listen to the party's grassroots. Salvation lay in wholesale nationalisation, in withdrawal from the Common Market, in unilateral nuclear disarmament, in transfer to the unions of the levers of economic power.

So it is for the simple ideologues of modern Conservatism. From their perspective,



John Major: the EU has become his government's Bosnia

Mr Major's mistake, like Mr Callaghan's, has been to fight for the political centre ground. If he wants to secure his own position the prime minister has time, but not much, to rediscover the path of virtue and embrace the policies of the Tory right.

The reality is that the more secure Mr Major feels with his enemies on the Tory right the less chance the government has of staging a broader political recovery. Ideology now is more important than power for many Conservatives. Many on the left wanted Labour to lose in 1979 so that the leadership

could be cleansed of its moderates. The Tory Eurosceptics think in similar terms. Labour has spent the past 16 years struggling to free itself from the stranglehold of the left which followed the 1979 defeat.

Mr Tony Blair's decision to abolish Clause IV of the Labour party constitution is the symbol of Labour's recognition of a basic truth: that winning elections is only possible when parties reach out beyond their natural supporters. The Conservatives used to take it for granted. If they forget it now they will be out of office for a generation.

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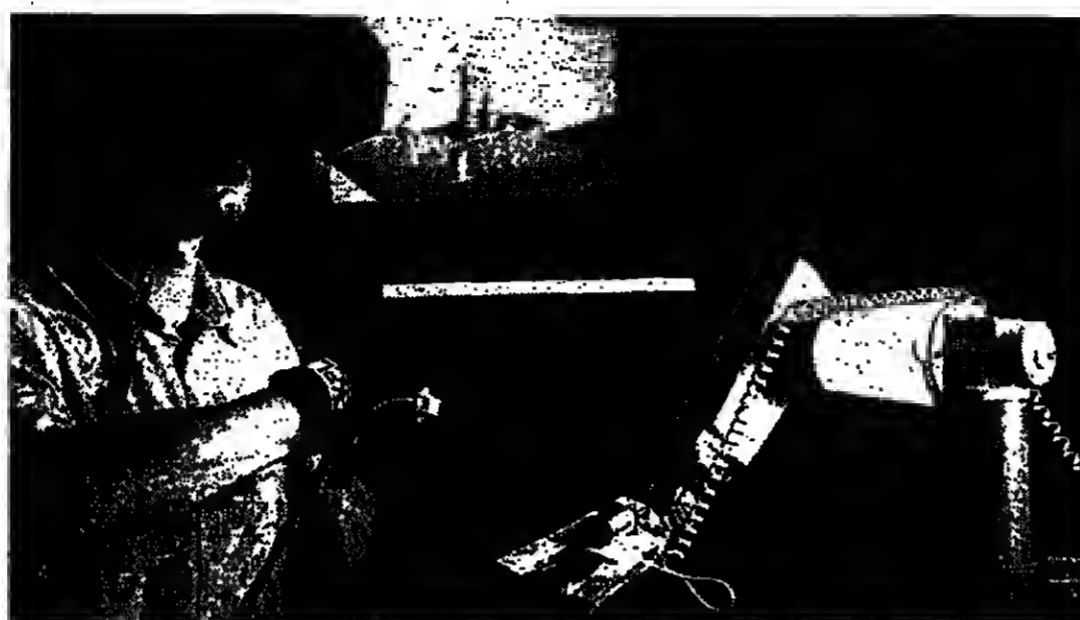
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TECHNOLOGY

Industry and science need to co-operate more if Germany is to keep its lead, says Andrew Fisher

Collaboration at the Fraunhofer



Virtual reality used to guide a flexible automation process is one of a host of activities being researched at the Fraunhofer

Talk of an "innovation crisis" in such a powerful economy as Germany's seems strange, to say the least, when it comes from the head of one of the country's most respected research groupings.

But Hans-Jürgen Warnecke, head of the Fraunhofer Gesellschaft (organisation), means it and repeats the message often. It is not enough that German companies are among the world's biggest exporters and often leaders in their sectors. He believes many are not sufficiently alert to new ideas and products.

As one of the world's leading applied research bodies - supported by business, government and regional states - Fraunhofer is at the heart of industrial and scientific endeavour in Germany. With 46 specialised institutes, a staff of nearly 8,000 and a budget of around DM1bn (840m), its task is to help develop new technologies for a wide variety of industrial, environmental and social uses. Its activities cover lasers, robots, environmental protection, electronics, materials, optics and a host of other technologies.

Fraunhofer-inspired innovations play an important role in modern life. They include environmentally safe gas generators to inflate car airbags and intelligent micro-electronic chips to control their operation; traffic monitoring systems; and sensors to register pollution on historic buildings.

There are many more, and Warnecke would like to see research ideas applied far more effectively throughout the economy. He stresses the need for greater co-operation between science and industry. Science should pursue ideas further towards possible implementation so companies have more information to decide whether to put them into practice. "Those companies, especially smaller ones, that co-operate with the scientific community are better and faster in innovation."

It is with such companies, which have little research capability of their own, that Fraunhofer works most closely. Around 60 per cent of its industrial contracts are with Mittelstand (small and medium-sized companies). This runs counter to the trend in Germany, where some 60 per cent of industrial research is carried out by companies with more than 10,000 employees and the rest spread throughout the Mittelstand.

A strength of the Fraunhofer organisation - founded in 1949 and named after Joseph von Fraunhofer, an early 19th century pioneer in optics - is the way researchers move easily between science and industry, developing both academic and commercial skills. More than half its institutes are headed by university professors; students can

complete their doctorates with Fraunhofer, working on projects with industry.

Many foreign industrialists, economists and politicians are impressed with the way the organisation works. "The Fraunhofers can very easily handle clusters of technology that do not really fit into the normal academic framework," says Bob Whelan, head of the Centre for Exploitation of Science and Technology, a British think tank. "I've always felt they're very positive."

Stan Manton, who heads the business process unit at Warwick Manufacturing Centre, part of the UK town's university, also sees benefits in the Fraunhofer model. "The magic of it is that the Germans stay in education longer than is typical of the British. Students can get paid by Fraunhofer. It all hangs together rather well."

The UK government studied the Fraunhofer organisation with a view to adapting aspects of its operations. But Warnecke thinks the British went about it the wrong way. "The UK believed they could do this without putting in any pub-

lic money. This is not true by a long way." The federal government, state governments and industry each provide roughly a third of Fraunhofer's finances.

Fraunhofer's success in helping industry has also found favour in the US. It has set up an offshoot there to work with universities and companies to develop advanced

'When one talks of an innovation crisis in Germany, its cause is a communication crisis'

industrial technologies. Fraunhofer USA is based in Michigan, near the motor industry which it expects to be a significant client.

"Science has become extremely mobile," explains Warnecke, a professor in industrial automation at Stuttgart university. "Competition takes place in the speed of innovation and its implementation. So a research organisation which part-

ners industry must also become more international." Fraunhofer USA, which will have three years to pay its way, hopes to draw clients from both US and German companies. The organisation may also set up a unit in Singapore.

Two Aachen-based institutes, specialising in lasers and production technology, form the core of the US venture. Ralf Eckhard Beyer, acting head of the laser institute, says the aim is not only to transfer know-how to companies in the US, but also to become more aware of developments there and thus improve its standing with German industry.

"Some companies say our know-how is partly financed by tax money and are critical of our decision to go to the US," he says. "But you can't seal yourself off in research. The newest and best laser equipment is sold in Japan and around the world. We are growing together in the global economy, so R&D also has to come together."

Warnecke stresses the importance of Fraunhofer's links with Mittelstand companies. "They have to be convinced an idea will pay."

The Aachen institute has helped companies develop laser surface treatments to prevent wear and tear in engineering products, control rapid prototyping and eliminate electrical currents in sheet metal production.

In Warnecke's view, not enough German companies take advantage of external research facilities such as Fraunhofer's. Of the DM500m or so spent by German industry on R&D each year, only around DM1bn, or 2 per cent, is put out to contract.

Part of that DM1bn helps keep Fraunhofer going - about 20 per cent of the sum is spent on research contracts at its institutes - and Warnecke would like to see it grow. "Research means investigation and this process should be given more prominence," he says. "When one talks of an 'innovation crisis' in Germany, its cause is a communications crisis."

Compared with the amount spent on research, he adds, "Too much is left lying or disappears. The success rate is far too low." The cause lies both with the scientific and research community and with industry. If the cost of discovery of a new process or product is put at DM1, the rule of thumb is that the prototype will cost DM10 and the marketable product around DM100.

He applies his criticism to his own organisation as well as others. "At Fraunhofer, too, we are satisfied when a working prototype can be presented - and then we stop. Then we say to industry, 'now please take this and bring it to the market place'. We forget there is a long way between the first prototype and a reliable, well-made marketable product."

Warnecke's strictures about Germany's waning innovative power are not new. The country's strengths in such traditional sectors as manufacturing and chemicals rather than electronics, computers and biotechnology, its success in bringing new high-tech companies to the market has been very limited. Adequate research support and financing for innovative, start-up companies is lacking.

But while seeking closer links with industry, he feels Fraunhofer should continue to look beyond commercial horizons. Too much reliance on outside contracts would restrict its ability to look 10 years ahead on strategic research projects against a time-scale of up to three years for industry and three to six years in the public sector.

"If we obtained 50 per cent of our business from industry [rather than a third], we would quickly become an engineering design office or consultancy. This would reduce the flow of new impulses." It is these which are vital in Fraunhofer's role as a far-seeing partner for German and, increasingly, foreign industry.

MANAGEMENT

Victoria Griffith on the future of US affirmative action policies

The definition of discrimination

Small minority-run businesses may soon face a more hostile work environment in the US if a pending Supreme Court decision goes against them. A Colorado-based construction group has challenged federal policies favouring minority enterprises in public works projects, and the future of affirmative action for small businesses now hangs in the balance.

In *Adarand Constructors v. Secretary of Transportation*, *Federico Peña*, Adarand charges that it was discriminated against in the awarding of a federal highway construction project because the company was not managed by a member of a minority group.

The Department of Transportation awarded the guard rail project to Gonzales Construction Company, a Hispanic-run group, although Adarand claims it entered a lower bid for the work.

Under consideration is whether Gonzales Construction should be classified as a "disadvantaged" company on the sole basis of the ethnic origin of its management. The Supreme Court will rule on the case some time over the next few months.

Minority-run small businesses often qualify for special assistance in the US under a special Small Business Administration (SBA) programme. The programme was created in 1988 to provide "socially and economically disadvantaged" companies with financial, managerial and technical support, as well as access to federal contracting.

Federal loan guarantees and accelerated payments, for instance, are available to programme participants. The SBA also provides private-sector specialists. Small minority-run businesses are often given free-of-charge advice on marketing, accounting and bid preparation for public contracts.

Hispanics, blacks and native Americans automatically qualify as "socially disadvantaged" under affirmative action provisions, which attempt to offset past inequities. Other ethnic groups, as well as women's and disabled groups, have also qualified in

certain cases. To fulfil the "economically disadvantaged" requirement, companies' managers must have less than \$250,000 (\$161,300 in net worth, excluding their home).

Advocates of affirmative action fear that a decision in favour of Adarand would be a big setback. "This could be devastating for minority-run businesses," says Anthony Robinson, president of the Minority Business Legal Defence Fund.

According to Robinson, a similar case in 1989 wreaked havoc on affirmative action in the private sector. In *Croson v. City of Richmond*, the Supreme Court ruled that more than 230 municipal programmes guaranteeing minority-run groups participation in public works projects were unconstitutional.

Before the Richmond programme (instituted in the mid-1980s), minority participation was less than one-tenth of 1 per cent, Robinson says. "With the programme, it rose to over 30 per cent, and after the Supreme Court ruled against the programme, minority participation fell to less than 5 per cent."

But Adarand's managers say they deserve equal treatment. "We were discriminated against because we were white," says Randy Peck, general manager and co-founder of the construction company. "The government shouldn't use race as a basis for making decisions, either for or against white people."

Because the Supreme Court case questions the definition of "social disadvantage", a ruling may affect all aspects of the programme for minority-run businesses. The SBA stands by its definition, however.

There is good reason to assume that certain ethnic and racial groups are at a social disadvantage in this country," says David Caulfield, an SBA spokesman. "Something has to be done, or we will have a two-tiered society."

Even if the Supreme Court rules in favour of Peña, the SBA's programme may come under attack in Congress, where resistance to affirmative action is growing.

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Dated: 16 February 1995
MARGARET MILLS LIQUIDATOR
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Of all the campaign slogans President Ernesto Zedillo coined during last year's elections in Mexico, "Wellbeing for Your Family" is probably the one he would most like to forget.

The sudden impoverishment of Mexicans following December's chaotic devaluation of the peso has dealt a heavy blow to Mr Zedillo's two-month-old presidency. Mexicans feel defrauded by the man who shattered their collective illusion of prosperity, and 10 days ago, voters in the state of Jalisco - a bastion of conservatism and industry - turned out in droves to punish the party that has ruled Mexico for 65 years earning its veterans the appellation "dinosaurs".

While the Institutional Revolutionary Party half expected to lose Jalisco, the scale of its defeat was unprecedented. The right-of-centre National Action Party won the governorship, most of the seats in the state legislature and the mayorships of seven of Jalisco's 10 most important cities.

With another four state elections to be contested this year, the ruling party has urged Mr Zedillo to show signs of decisive leadership - but neither temperament nor circumstance allow him to assume the near absolute powers Mexican presidents have wielded in the past.

In another era, the year-long peasant uprising in the southern state of Chiapas would have been summarily crushed by the government, with few repercussions either inside Mexico or abroad. Last week, however, Mr Zedillo's decision to launch a military offensive against Zapatista rebels was met by big protest demonstrations in Mexico City and concern among international human rights groups. Mexicans may disagree with the Zapatistas' tactics, but their fight for the rights of down-trodden Maya Indians is recognised as just. Mr Zedillo called off the hunt for the Zapatista leadership after only 72 hours. With the guerrillas evading capture by disappearing into the jungle, Mr Zedillo's claim that "national sovereignty" had been restored over Chiapas rang hollow, while his change of heart over the crackdown did little to dispel his reputation for indecisiveness.

The perceived weakness of the president has serious consequences for members of the political establishment. They fear Mr Zedillo might lose control of the carefully calibrated opening of the political system, which has allowed greater elec-

Dinosaurs in peril

Mexico's ruling party is in trouble, says Leslie Crawford



Rebels of the Zapatista movement on guard on a pass in Mexico. Inset: President Ernesto Zedillo

toral competition in the past six years without forcing the PRI to relinquish its monopoly on power.

The Mexican economic crisis has compounded the insecurity felt within the ruling party. In the present climate of uncertainty, it is proving especially painful for the PRI to recognise it is no longer the monolith it once was, nor the presidency as all-powerful as it used to be.

"It is not just clean elections which strikes fear into the hearts of PRI bureaucrats," says one of the president's advisers. "It is the fear that the whole system of patron-client politics is about to be dismantled."

This explains why a recent speech by Mr Zedillo, in which he expressed the wish to place "a healthy distance" between the government he runs and the ruling party, was greeted with alarm by the PRI stalwarts in attendance. The president was warning to one of his favourite themes - the need to promote equal competition between all political parties - but to the ears of PRI old-timers, this healthy distance could mean only one thing: fewer jobs for the boys.

While attempting to make a virtue out of necessity, the president was also driving home a new fact of life that the PRI's powers of patronage have been dramatically curtailed by the economic reforms of recent years.

Six years ago, the government was running more than 600 state-owned companies; privatisation has reduced their number to less than 200. Many career PRI bureaucrats have lost their jobs as a result.

The opposition, meanwhile, has been making political inroads. Until 1989, the PRI controlled all 32 state governorships in the land. Today, the PAN governs in four states, and stands a fair chance of sweeping the board in the four state elections this year if the economic crisis continues to undermine Mr Zedillo's standing.

What worries Mr Zedillo's supporters is that the crumbling pyramid of patron-client relationships is not being replaced by anything that could cement political loyalties to the president or his party.

The president has sought to fill the vacuum by enlisting the support of opposition par-

ties, particularly the PAN, for a grand project of political reform. But the PAN is only trusted to remain obedient while political prizes remain to be had, and these can only be achieved at the expense of further electoral defeats for the PRI. To keep the left-wing Party for the Democratic Revolution (PRD) on board, Mr Zedillo had to depose the PRI governor in Chiapas. Earlier efforts to unseat the controversial governor of Tabasco, where election results are also being contested by the PRD, led to a revolt of the local PRI.

Mr Zedillo's strategy is therefore fraught with dangers. "After 65 years, some hard-liners in the PRI believe they have a divine right to power," says Mr Luis Rubio, director of the Centre of Studies for Development in Mexico City. "One cannot aim at removing their privileges without expecting resistance. The government must address the possibility that its reform agenda might unleash more violence, and by that I mean more political assassinations, even terrorism."

The preoccupation led a group of PRI notables last year to draft an agenda for the reform of the ruling party, one that would transform the old corporate amalgam of disparate interests - the PRI still has "labour", "peasant", and "popular" wings, although they have long ceased to matter - into a modern political machine.

"It was Zedillo's pet project," says Mr Jesus Reyes Heróles, one of the authors of the report. "He really believes Mexico's orderly transition to democracy depends on the ability of the PRI to renew itself."

Mr Reyes Heróles continued working on the agenda even after the assassination of the party's secretary-general, Mr José Francisco Ruiz Massieu, in September. What finally halted the momentum for reform, he says, was the accusation that senior party members were involved in covering up the murder.

"The PRI is now disconcerted, angry and leaderless," says another PRI luminary. "Left to itself, the machinery will be incapable of reform."

There are still optimists in Mr Zedillo's inner circle who believe the PRI will reform itself and work for a successful presidency. If it does not, they argue, the days of the longest-lived ruling party in the world are numbered.

EUROPA: Thomas Mayer

A degree of German doubt



It is no secret that there is considerable scepticism among top Bundesbank officials about the Maastricht plans for European economic and monetary union (Emu). Like many others, some members of the Bundesbank council may have private doubts about the wisdom of a single currency. But what counts for policy makers are the reservations of the Bundesbank as an institution.

The concerns of the Bundesbank appear to be rooted in what it regards as a fundamental defect of Emu: according to present plans, it is to come into force without a simultaneous political union in Europe. The Bundesbank's insistence on the political independence of a future European central bank and on strict adherence to the Maastricht economic convergence criteria is an attempt to minimise the economic risks resulting from this defect.

The Maastricht treaty was devised as a response to the challenges emanating from German unification. But it was based on a *quid pro quo* similar to understandings reached in earlier moves towards European integration. Germany agreed to give up part of its economic sovereignty - in the monetary sphere - in return for its neighbours' approval of the restoration of its political sovereignty and national unity.

For Germany's neighbours, the Maastricht treaty is an insurance policy against the perceived risks associated with German unification. Additional European controls over Germany's economic power make it less likely, on this reasoning, that a united Germany would impose on their own sovereignty. A European political union is not necessary to exercise these controls; in fact, it

could be counterproductive, as proportional representation would increase Germany's political weight in a fully united Europe.

On the other hand, there is a strong body of opinion in Germany for the view, recently reiterated by Hans Eichel, the Bundesbank president, that a European monetary union not embedded in political union would collapse or lead to inflation. This concern is rooted in the conviction that market mechanisms alone would not suffice to bring about national fiscal and wage policies oriented towards achieving stability. A central policy-making authority, combined with the will to keep inflation low, is seen as essential to ensure co-ordination of fiscal, wage and monetary policies.

Germany's experience since unification seems to have made the Bundesbank more sceptical about the limitations of sole reliance on monetary policy to ensure price stability. For most of the period since the second world war, with the exception of the 1970s, there was a broad German social consensus favouring wage and fiscal policies supportive of low inflation.

But in the wake of German unification the picture has changed. Skirmishes over income distribution, together with imprudent fiscal policies, have prevented the Bundesbank from achieving its 2 per cent inflation target in each of the last six years. The Bundesbank will probably miss its target again this year. With economic recovery gaining ground, there is a shrinking likelihood the inflation target will be met during the rest of

the present upswing.

This experience has deepened the Bundesbank's concern that effective macro-economic policy co-ordination would not be possible in a European monetary union without political union. There would be a sizeable risk that national fiscal and wage policies would conflict with supra-national monetary policy.

Two examples give an idea of how such conflicts might arise. Would the future European central bank be able to withstand pressures to launch easy money policies to bail out countries with imprudent fiscal policies? If the central bank decided to counter inflationary

A body of opinion in Germany holds that a European monetary union not embedded in political union would collapse

national wage developments with a tight monetary policy, would individual countries accept the recession that would probably result? If the answer to either of these questions is No, there is a

risk of inflationary pressures in a future Emu could be even greater than those unleashed by German unification. The Bundesbank backs the planned statutory independence of the European central bank, as well as strict adherence to the convergence criteria. But it sees these conditions as only second-best safeguards against inflationary pressures. The Bundesbank believes a common monetary policy and, eventually, a single currency are qualitatively different steps in the process of European integration compared with, say, the common agricultural policy. The Bundesbank's basic line is that, without broad consensus favouring price stability anchored in a politically united Europe, an eventual single European currency is un-

likely to be as hard as the D-Mark.

Against this background, the Bundesbank is drawing the public's attention to the remaining Emu risks. Given the Bundesbank's influence on German public opinion and the German population's deep-rooted fears of inflation and currency reforms, politicians cannot afford to ignore such warnings. To placate the Bundesbank, the German government will have to insist at the inter-governmental conference in 1996 on tangible progress toward greater European political union, encompassing greater powers for the European parliament.

There have been recent suspicions that the Bonn government is trying to soften the Bundesbank's attitude. The recent nomination to the Bundesbank directorate of a former member of the European Commission, Mr Peter Schmidhuber, has been seen as evidence in some quarters that the government is attempting to mollify the Bundesbank's hardliners. Yet, in the near term, Bundesbank policy will be aimed at regaining German price stability and reducing the risk of an erosion of standards of low inflation.

With economic growth and inflationary pressures gaining momentum, German monetary tightening may well become necessary in the first half of this year. Recently, the view has gained ground on the financial markets that this move could be delayed by the French presidential elections. But if the Bundesbank allowed itself to be swayed by such considerations, the struggle to make a future European monetary policy independent of political influences would already be lost.

The author is senior economist at Goldman Sachs in Frankfurt.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'line'). Translation may be available for letters written in the main international languages.

Mexico needs currency board

From Professor Steve Hanke.

Sir, Your interview with Mr Ariel Buira, deputy governor of the Bank of Mexico, ("Peso policy dilemma dogs Mexicans", February 17) shows us just how confused and misinformed the Mexican officials are about exchange rates. Alas, it helps explain why they bungled the peso devaluation in December 1994 and why they have been so inept since then.

To justify my conclusions I shall focus on Mr Buira's remarks about currency boards. First, contrary to Mr Buira's assertions, Mexico is still considering an Argentine-style currency board. Indeed, Mexican officials confirmed this to me after the publication of Mr Buira's interview. Consequently, comments on its desirability and feasibility are still relevant.

Second, Mr Buira claims that a currency board would be too costly to implement. This is incorrect. To establish a cur-

rency board, the peso's monetary base would have to be fully backed by a reserve currency, such as the US dollar, and the peso would have to be fully convertible at a presently fixed rate to the dollar. With Mexico's current monetary base and a fixed rate of 6 to 1, roughly the current peso-dollar rate, about \$11bn would be required.

Admittedly, the Mexicans don't have this level of reserves in hand. However, under the US Foreign Operations, Export Financing and Related Programs Act of 1993 - which was sponsored by Senators Gramm, Dole, Helms, Mack and Simpson - the International Monetary Fund is authorised to lend Mexico the required reserves for a currency board. Moreover, Mexico could pay off the loan from the seigniorage it would earn with a currency board.

In the case of a board, seigniorage is the difference

between the interest earned on the reserve assets and the fact that no interest would be paid on its liabilities. Consequently, a currency board is technically feasible and has received a strong political endorsement from the US.

A currency board system would be desirable for Mexico because the Bank of Mexico has a poor record of producing stable money. The only known method for establishing credibility rapidly and stimulating the demand for pesos is for Mexico to do what Argentina did on April 1 1991: install a currency board system. If done properly, such a move would lower inflation and interest rates. It would also be a necessary, but not sufficient, condition for sustained economic growth.

Steve H Hanke, professor of applied economics, Johns Hopkins University, Baltimore, Maryland, US

Threat to research body status

From Professor Jean-Pierre Lehmann and others.

Sir, We have read with great surprise, indeed disbelief, the news that the Tokyo-based Institute of Development Economics (IDE) is to be taken over by the Japan External Trade Organisation (Jetro) ("Tokyo forced to shelve bank plan", February 13). While of course we knew that the IDE was financed by Ministry of International Trade and Industry (MITI), we nevertheless believed that its status as an independent research institute was respected.

We consider our friends at IDE as researchers and professional colleagues, not minor government officials. The IDE has undertaken interesting research and produced valuable publications. Finding itself under Jetro administration will result, first, in the IDE losing intellectual credibility, and, second, in having its independence and innovation stifled by bureaucracy.

At a time when the Japanese government claims to be reducing its interference in national affairs, it appears paradoxical, to say the least, that MITI should be taking this particular step. We hope MITI will reconsider.

Jean-Pierre Lehmann, director, Paul Lillrank, affiliated professor, Marie Söderberg, senior research fellow, Jon Sigurdson, visiting professor, Patricia Nelson, research fellow, Asa Malmström, research assistant, The European Institute of Japanese Studies, Stockholm School of Economics, PO Box 6501, S-113 83 Stockholm, Sweden

Real money

From Mr Peter M.G. Hime.

Sir, I refer to your report, "Directors can earn £940 a day" (February 16). That's nothing, I have recently been interviewed on radio. My unsolicited fee was the equivalent of £1,023.80p an hour! Peter M.G. Hime, 24 Wilkenson Street, London SW8 1DB, UK

Recycling

From Dr A.L. Vickers.

Sir, I write to express my concern over a statement made by Kenneth Gooding in his article, "Cashing in on the 'lucky can'" (February 1). In it, he discusses metal drinks can recycling and states: "As an alloy, steel is less recyclable than aluminium." This is incorrect, both in terms of the stated relative recyclability and the implication that this is because steel is an alloy and aluminium is not.

Steel is the world's most recycled metal. All steel contains recycled steel, because scrap steel is always used as an (essential) ingredient in steel-making. Steel used for can making does in fact contain lower levels of alloying elements than its aluminium competitor. The steel is at least 99.5 per cent pure iron, whereas the aluminium typically contains between 4 per cent and 6 per cent alloying elements.

A.L. Vickers, managing director, British Steel, Thimble, Tyneside Works, Llanelli, Dyfed, UK

Option a delayed bonus

From Mr Donald B. Butcher.

Sir, In his letter (February 15) Sir Owen Green extols the merits of option schemes in aligning the interests of managers and shareholders. He compares the schemes favourably with annual cash bonuses. But surveys show that 95 per cent of options are cashed when exercised. So the option scheme simply becomes a delayed (three-year plus) cash bonus instead of an annual bonus. This surely gives the lie to the oft-asserted alignment of interests.

More importantly, each £100 of option benefits realised by the directors extracts £100 of value from the shareholders, whereas each £100 of cash bonus paid to the directors costs the company only £67, due to tax recovery.

You reported recently the share price of Berkshire Hathaway Inc. at some \$22,000 per share. By creating virtually no new shares and achieving high profitability over nearly 30 years, the company is an outstanding example of one company which delivers long-term shareholder value. Are there many others?

Long-term shareholder value is only likely to be created when directors buy shares in the market and retain them. Fortunately there are some directors who own shares in their companies and value them so highly that they do not issue new ones. Would that there were more.

Donald B Butcher, chairman, UK Shareholders Association, 12 Burgh Heath Road, Epsom, Surrey KT17 4LJ, UK

will hold a hearing for technical experts and interested parties to present their case on Wednesday, March 1. That will provide a better scientific and factual basis upon which the parliament can give an opinion than the muddled resolution presently being debated.

There are fundamental issues at stake concerning energy supply and environmental safety for which the green alternative strategy of energy efficiency is neither appropriate nor readily available. Energy efficiency is attractive in its own right but it is not an alternative source of energy. The option of com-

pleting a more modern design of nuclear power station and then being able to shut down an older type evidently regarded as unsafe seems a more rational and environmentally sound arrangement to me, but I will await the technical and financial experts' evidence before reaching a conclusion.

At least this proposal, even if it has landed the EBRD in another controversy, is more the sort of thing it should be considering than its previous penchant for marbled halls.

Giles Chichester, European parliament, Strasbourg, France

View on Slovakia N-plant should await evidence

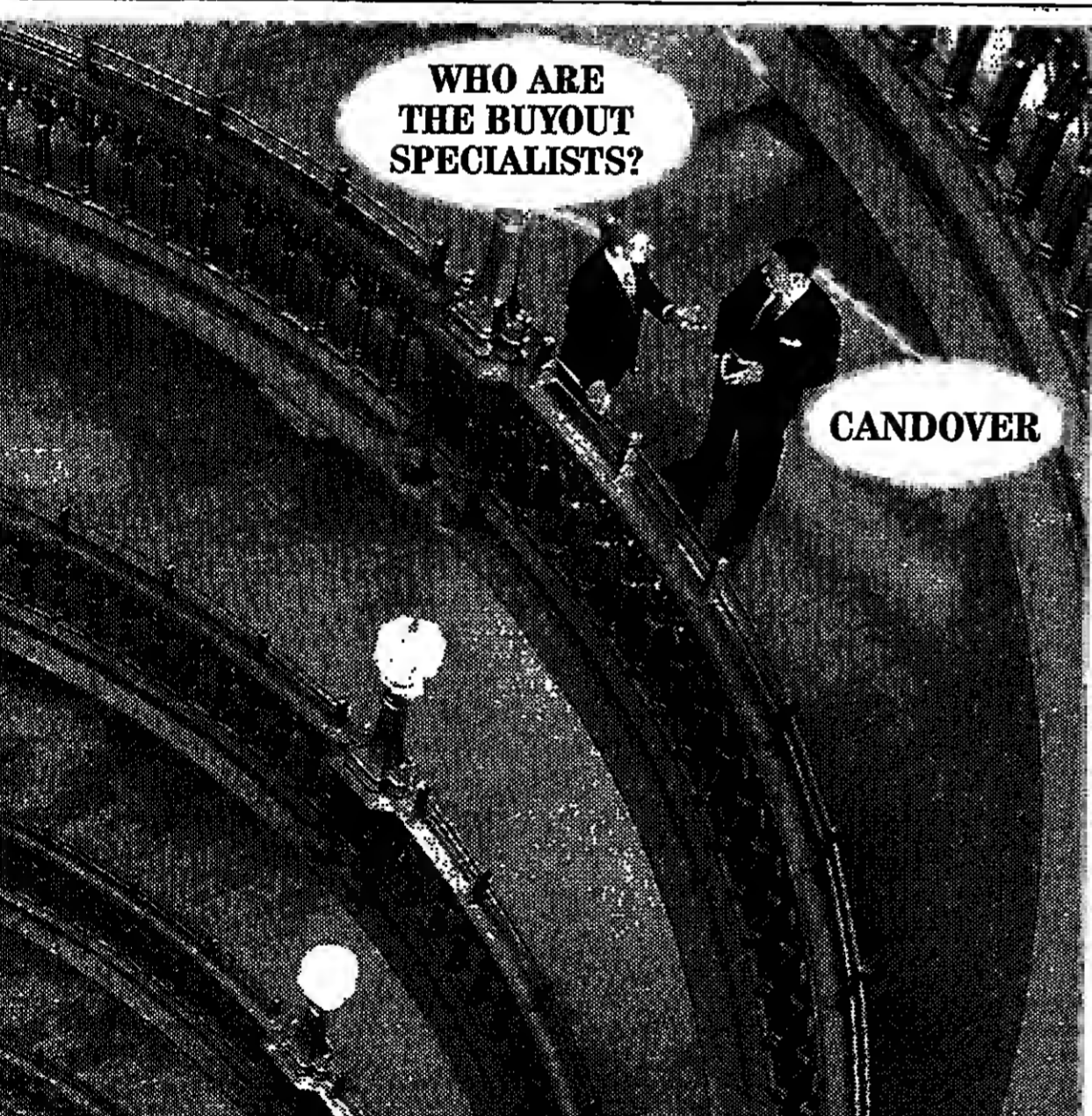
From Mr Giles Chichester MEP.

Sir, Your article regarding the proposal for the European Bank of Reconstruction and Development to help finance work on the Mochovce nuclear power station of Slovakia is quite correct in describing the matter as fiercely contested so far as this parliament is concerned ("EBRD at centre of N-power row", February 16).

There is a wave of emotion which has been generated from the powerful environmental lobby that is in danger of sweeping away rational discussion. The research, technological development and energy committee on which I serve

will hold a hearing for technical experts and interested parties to present their case on Wednesday, March 1. That will provide a better scientific and factual basis upon which the parliament can give an opinion than the muddled resolution presently being debated.

There are fundamental issues at stake concerning energy supply and environmental safety for which the green alternative strategy of energy efficiency is neither appropriate nor readily available. Energy efficiency is attractive in its own right but it is not an alternative source of energy. The option of com-



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Nine presidential challengers start their campaigns in New Hampshire Republican contenders shape up

By George Graham in Manchester, New Hampshire

Even though Mr Clinton's presidency still has nearly two years to run, his Republican challengers have already begun to jostle for his job. They have descended on the tiny north-eastern state of New Hampshire in the last few days to start their campaigns for party primary elections which will be held in 12 months' time. At the head of the pack of nine contenders crowding into the state is 71-year-old Mr Bob Dole, the Republican Senate majority leader, who has been beaming on his travels through New Hampshire. For him nine town meetings in three days have been worth the effort. The tiny state, with barely a million people, has long held a key role in US politics. The reason for the arrival now of Republican heavyweights was that the local party had found a gap in the Washington calendar and hosted a dinner for prospective candidates. Its primary election next February, in which voters register their preference for a candidate, provides the first real test of presidential hopes. Mr Dole, far ahead of his Republican rivals in the opinion polls, is well aware that a winner here often goes on to win the party's nomination. New Hampshire's role could be

more important than before. The primary process will be more concentrated this time around because California and a string of other states have brought forward their primary elections. As a result, within five weeks of New Hampshire opening the primary season, 31 states - including the eight largest - will have chosen their candidates, and the race for the Republican nomination will essentially be over. US primaries are where parties choose their candidates in advance of the presidential campaign and poll in November 1996. "I think we ought to move it up to tomorrow. That'd be all right with me," Mr Dole joked at a Republican party dinner in Manchester on Sunday night. Mr Dole has a year-long wait to see if he can hold on to his early lead, or if New Hampshire will deal him defeat as it did in 1988, when he lost the primary, and eventually the Republican nomination, to George Bush, then vice-president. Other contenders joined Mr Dole on Sunday at a party dinner in Manchester to pitch their candidacy to New Hampshire's party faithful. There was Senator Phil Gramm of Texas, boasting that he was "conservative before conservative was cool"; Senator Richard Lugar of Indiana touting his foreign policy expertise; Senator Arlen Specter arguing for abortion to be eliminated from



Kissing time: Bob Dole meets supporters on the campaign trail

the Republican platform; former Governor Lamar Alexander with a plan for Congress to meet only six months of the year; and Mr Pat Buchanan, the fast-talking television commentator who in 1992 scared the Bush campaign by picking up 37 per cent of the New Hampshire vote. Other candidates are springing up as prolifically as the birches along the banks of Manchester's Merrimack River, but with chances just as slender. They include Congressman Bob Dornan, a fiery Californian who makes even Mr Buchanan look moderate, and Mr Alan Keyes, whose chief distinction is having lost two Senate races. Given the "front-loading" of the primary process, candidates will have to raise a lot of money to be competitive. A \$20m war chest is reckoned by most Republican political operatives to be the minimum for a serious contender. The need to raise funds means other potential candidates such as Governor Pete Wilson of California or Governor Tommy Thompson of Wisconsin do not have long to make up their minds.

Ulster document to gain approval today

By John Kämpfer in London

The British and Irish governments will give final approval today to the framework document for Northern Ireland and Unionist claims of fresh evidence that it will undermine their role in the province's affairs. The document - intended to set guidelines for all-party negotiations - will be launched tomorrow in Belfast. Unionist leaders said again yesterday that they would have nothing to do with it. However, it emerged last night that the leaders of the province's three main parties - Mr James Molyneux of the Ulster Unionists; the Reverend Ian Paisley of the Democratic Unionists; and Mr John Hume of the mainly Catholic SDLP - had met at Westminster, suggesting the

Unionists had not ruled out some form of talks. The first part of the framework document on proposals for a Northern Ireland assembly will be unveiled by Mr John Major, the UK prime minister. He and Mr John Bruton, the Irish premier, will also announce proposals for cross-border bodies and for new arrangements between London and Dublin. It is these two areas which have most alarmed the unionists, giving rise to fears that the assembly will have limited powers - part of what they see as the inexorable march to a united Ireland. They point to clauses in the document which they say will give Dublin a strong say in the workings of the legislature. However, British officials say many of the areas the unionists call objectionable were agreed during talks ahead of the Downing Street declaration of 1993.

Peso rallies strongly as Bank of Mexico raises interest rates

By Leslie Crawford in Mexico City

The Bank of Mexico yesterday sharply increased short-term interest rates in an attempt to kill inflationary expectations and shore up the value of the peso. The central bank's intervention in the secondary markets raised interest rates on short-term bank paper to more than 47 per cent against 38 per cent at the close on Friday. The central bank officials said they were aiming for a 10 percentage point increase in short-term interest rates, to be maintained for a "transitory period" of a few weeks. The move helped the Mexican peso to rally strongly yesterday, though trading was quieter than usual because New York markets were closed. It was being traded at 5.54 pesos to the dollar against 5.725 at the Friday close. It fell below six for a time last week. "At present, debtors are being penalised by very high interest rates, which reflect the uncertainty surrounding inflation this year," the central bank said yesterday. "If we succeed in dampening inflationary fears, interest rates will fall over the medium to long term."

said the central bank's move had signalled its commitment to curtail inflation. To counter the short-term rise in the cost of credit, the Bank of Mexico has proposed to introduce the indexation of interest rates. The plan, which aims to lower the cost of credit over time, would create what would be called a Unit of Investment. This would be adjusted daily on the basis of the inflation differential between Mexico and its main trading partners. This in turn could allow banks to lower interest charges by using the Unit of Investment to factor out inflation, while it would also protect the real value of savings. The indexation of interest rates was successfully used in Chile - along with a managed floating of the exchange rate - following a financial collapse in 1982. Chile's Unit of Development is still in use, though it and associated policies are held by some to have been the reasons why inflation has been so slow to fall there. Commercial banks were due to present their reaction to the indexation plan at a meeting today.

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HK stocks fall after arrest

Continued from Page 1

sell holdings in companies with mainland links. The Hang Seng index closed down 136.27 points, or 1.7 per cent, at 7,906.74. Trading in the companies is expected to resume today. Mr Zhou's father, Mr Zhou Guanwu, who resigned unexpect-

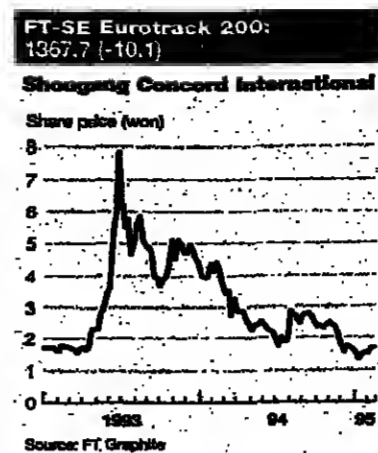
edly last week as chairman of the parent Shougang Steel (Capital Steel), was a close friend of Mr Deng. Mr Deng Xiaoping, the second son of Mr Deng Xiaoping, is chief executives of one of the Shougang units in Hong Kong. The five companies said that the investigation of Mr Zhou was "his personal matter".

Foreign bankers in Mexico City

THE LEX COLUMN

Deng's dying dynasty

Hong Kong has finally had a chance to view the likely changes in China after Deng Xiaoping, and it is nervous. The recent arrest of Mr Zhou Beifang demonstrates that the hard-earned China connections of Hong Kong's business leaders may prove worthless once Chinese patriarchy Deng Xiaoping passes away. After all, Mr Zhou was one of the leading products of Deng's more creative approach to socialism. And his web of Hong Kong companies - with a value of close to \$1bn - had the ultimate seal of official approval. Deng's son was a director. Relationships with the so-called Red Capitalists, such as Mr Zhou, were the driving force behind Hong Kong investment in the mainland. Numerous Hong Kong companies saw their share prices soar after well-connected Chinese investors bought stakes; it was assumed that this would help these companies to secure preferential deals in the mainland. The value of these connections, however, is declining, hence the stock market fall. However, any Chinese anti-corruption purge should have limited repercussions for the market. Mr Zhou may have attracted support from influential Hong Kong investors. But the political transition is sufficiently well-established to ensure there should be few surprises at the waning influence of the Deng dynasty. It is merely surprising that this influence should not at least remain until his death.



ther improves its longer-term prospects, and Mr Rossi would have no role to play in this. The main worry is that Mr Rossi's departure may presage a merger between Montedison and Ferruzzi Finanziaria, its major shareholder, on terms that sell other shareholders short. Mr Rossi opposed any talk of a merger. Some observers think the banks, which largely own Ferruzzi, will now push for such a deal. But Montedison's other shareholders are in a position to reject any merger. Given the group's improving outlook, they have much to fight for.

Montedison

Sudden executive departures at Italian business have often spelled corruption or imminent collapse. So it is hardly surprising that Montedison shares fell yesterday. But the departure of Mr Guido Rossi as chairman of Italy's second-largest industrial group looks uncomplicated. Mr Rossi was brought in as a pillar of respectability to prop up a corporate structure that was collapsing under the weight of debt and scandal. Mr Rossi was able to refinance the group, leaving Montedison with greater corporate focus and lower debt. As Italy's leading corporate lawyer, he was never going to stay and manage the conglomerate. The key question therefore, is whether Mr Rossi's job is done. Montedison will make its third consecutive net loss in 1994, but this includes substantial restructuring costs. The chemicals business is benefiting from rising plastics prices, and 1995 should show a return to profits for the group. The plastics joint venture with Shell fur-

C&G/Lloyds

Cheltenham & Gloucester's members should consider carefully whether yesterday's proposed sale to Lloyds matches their interests. True, the alternative of flotation makes little sense: its market capitalisation would be less than the £1.6bn on offer. And its shares would probably under-perform given the mortgage market's depressed and increasingly competitive nature. Besides, under present legislation there would be no prospect of shareholders enjoying a bid premium for five years. However, this price would be considerably higher if C&G put itself up for auction. The premium of little more than 20 per cent to potential flotation value is negligible. The main impediment to an improved price is that it would result in drastic cost-cutting, most likely to the detriment of C&G's management. But despite the low premium, the sad conclusion is that most members will accept the proposal, take the money, and run.

For Lloyds, the acquisition makes eminent financial sense. The deal will be earnings enhancing, although given Lloyds is paying cash that is no great achievement. The move is probably more sensible than buying back its own shares since Lloyds is buying C&G at 1 1/4 times book value against its own shares valued at 2 1/2 times. However, the rationale for Lloyds of reinforcing its position in the UK mortgage market is less apparent. The combined operation obtains economies of scale and funding, but C&G does not plan to increase revenues by cross-selling other financial services. Lloyds may not have over-paid, but it needs to convince shareholders it is not heading up a blind alley.

City regulation

The City of London has long been searching for an effective way of investigating and punishing insider dealing. Whatever the outcome, one of the by-products of the current inquiries into Swiss Bank Corporation's controversial dealings in electricity securities could be the development of a new model for addressing such cases. In addition to inquiries by the Department of Trade and Industry, the Securities and Futures Authority which regulates the securities industry is also examining the matter. The advantage of SFA involvement is that the burden of proof required in its inquiries is not as great as those required for the DTI. This means the SFA is freer to take action; the DTI has to prove a case beyond reasonable doubt. The penalties available to the SFA, of course, are not as tough as the full sanctions of criminal law. But its contracts with its members give it power to fine them unlimited amounts. Stiff fines - ideally the disgorgement of profits plus a premium - could be an attractive way of handling many insider dealing cases. However, before such a model can be widely used, two things need to be clarified. First, the UK's multiplicity of regulators must work out a system for deciding which of them should handle a particular case; otherwise, defendants could find themselves fighting on multiple fronts. Second, the SFA can only handle cases involving firms or individuals that it regulates. If its approach is to be used more generally, new legislation will be needed.

Additional comment on Pilkington, Page 22

FT WEATHER GUIDE

Europe today
A broad frontal zone will cause rain from northern Spain to southern Scandinavia. The eastern edge of the front will move east across central Europe. Rain will move east leaving room for afternoon clearing over western France and the Low Countries. The British Isles will be windy with blustery showers, mainly over northern Ireland and Scotland. Eastern Europe and the central Mediterranean will be dry and mainly sunny but lingering low pressure over Cyprus will cause showers in the Middle East. Scandinavia will be mainly dry except for showers near the Norwegian coast. Snow flurries will persist over northern Finland. Southern Sweden and the Baltic Sea will have rain during the evening.

Five-day forecast
Most of Europe will continue unsettled. The Mediterranean will be mainly dry with just the odd shower. The British Isles, western Scandinavia and the west of the continent are likely to be wet and windy. It will turn slightly cooler later in the week with an increasing risk of thunder with small hail and wet snow near the North Sea and in Scandinavia.

TODAY'S TEMPERATURES

Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	34	24	Beijing	15	5	Caracas	29	18
Accra	32	24	Belfast	10	5	Cardiff	10	5
Algiers	22	12	Birmingham	17	7	Chesapeake	18	8
Amsterdam	10	8	Bombay	32	22	Chicago	10	0
Athens	17	10	Brussels	11	5	Cologne	10	0
Bahia	31	21	Buenos Aires	18	8	Dakar	28	18
Bangkok	34	24	Calcutta	32	22	Dallas	20	10
Barcelona	17	7	Cairo	27	17	Delhi	24	14
			Cape Town	27	17	Dubai	23	13
						Durham	10	0
						Edinburgh	10	0
						Frankfurt	10	0
						Geneva	10	0
						Glasgow	10	0
						Hamburg	10	0
						Helsinki	10	0
						Hong Kong	18	8
						Honolulu	27	17
						Islandia	10	0
						Jakarta	30	20
						Jersey	10	0
						Karachi	27	17
						Kuala Lumpur	32	22
						Las Palmas	20	10
						Lima	20	10
						Lisbon	18	8
						Luxembourg	10	0
						Lyon	10	0
						Madrid	18	8
						Manila	27	17
						Mexico City	23	13
						Miami	27	17
						Moscow	10	0
						Mumbai	32	22
						Nairobi	27	17
						Nagasaki	18	8
						Nassau	27	17
						New York	10	0
						Nice	18	8
						Nippon	18	8
						Osaka	18	8
						Paris	10	0
						Perth	10	0
						Prague	10	0
						Rangoon	27	17
						Reykjavik	10	0
						Rio	27	17
						Rome	18	8
						S. Francisco	18	8
						Sao Paulo	27	17
						Singapore	27	17
						Stockholm	10	0
						Sydney	27	17
						Taipei	27	17
						Tel Aviv	27	17
						Tokyo	18	8
						Toronto	10	0
						Vancouver	10	0
						Verona	10	0
						Vienna	10	0
						Warsaw	10	0
						Wellington	10	0
						Winnipeg	10	0
						Zurich	10	0

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FINANCIAL TIMES COMPANIES & MARKETS

Tuesday February 21 1995

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IN BRIEF

Norsk Hydro lays in record profits

Norsk Hydro, Norway's largest publicly quoted company, reported record profits for 1994. The group posted 1994 pre-tax profits, before minority interests, to Nkr6.58bn (\$997m) from Nkr4.74bn as net profits rose sharply to Nkr4.04bn from Nkr2.2bn. Page 18

Saudi and Gulf banks tread water

Saudi and Gulf private sector commercial banks struggled to maintain profits last year in the face of reduced government spending because of flat oil prices. Page 20

Echo Bay gold output loses lustre

Echo Bay Mines, one of North America's biggest gold and silver producers, expects its gold output this year to slip by about 5 per cent from the 817,946 Troy ounces produced in 1994. It would be Echo's second successive year of falling output. Page 21

Tokyo SE seeks more foreign listings

The Tokyo Stock Exchange is stepping up efforts to encourage Asian businesses to list on its flagging foreign companies section. Page 20

Zurich Insurance sets sights on Germany

Emboldened by a few months running Switzerland's first telephone-based direct insurer, Zurich Insurance is set to attempt a similar assault on Europe's biggest motor insurance market - Germany. Page 20

Crunch time for breakfast cereal makers

With new markets in eastern Europe and developing countries and the trend away from cooked breakfasts in the west, breakfast cereal makers should be experiencing a new dawn. Instead the two biggest US manufacturers, Kellogg and General Mills, feel in need of fortification. Page 21

Costs buy boosts engineering presence

Costs Viella, the UK's largest textile group, is boosting its precision engineering business with the \$500m (\$100.75m) acquisition of Bace Manufacturing, a US-based private company. The move will increase capacity at Dynacast, the company's international precision engineering division, by about 33 per cent. Page 22

Lloyds to pay 20% acquisition premium

Lloyds Bank in the UK is paying a premium of just over 20 per cent of Cheltenham & Gloucester's potential flotation value to acquire the British building society. Page 22

Saatchi directors may win share bonanza

Directors of Saatchi & Saatchi, the UK advertising group, could be awarded share options valued at up to eight times their annual salaries if shareholders approve new pay schemes on March 16. Page 22

New setback for Molins in patent battle

Molins, the UK precision engineering group, has partly lost another round in an eight-year patent battle. The group said the United States Court of Appeals affirmed an earlier court decision that the company's patents on its flexible manufacturing systems were unenforceable. Page 22

Rossi calls it a day at Montedison

By Andrew Hill in Milan

Mr Guido Rossi stepped down yesterday as chairman of Montedison and Ferruzzi Finanziaria (Ferfin) after 20 months in which he has helped drag the linked Italian holding companies back from the edge of collapse. "The emergency is over and the restructuring plan is being carried out with precision," Mr Rossi said, explaining that he had fulfilled his mandate to rescue Ferfin and Montedison from the effects of corruption and alleged mismanagement. There had been rumours that Mr Rossi would leave as early as last summer, when the immediate threat to the two companies had already been averted, but yesterday's announcement was unexpected. Directors unanimously agreed that Mr Luigi Lucchini, 76, chairman of the private Italian steelmaker of the same name, would take over at the head of both Montedison and Ferfin.

The problems of management and industrial strategy of a large private-sector Italian group must now be entrusted to those with different professional experience from my own, more in tune with new demands," Mr Rossi said. Mr Rossi, who is 63, was brought in as chairman of the two groups in June 1993, as the full extent of the problems facing Ferruzzi-Montedison became clear. He and Mr Enrico Bondi, who took over as managing director, inherited a burden of gross debt of more than L80,000bn (\$18.6bn). They helped persuade the group's bank creditors to accept a complex rescue plan, including the rescheduling of debt and the launch of rights issues, which saved the companies from bankruptcy.

Ferfin now owns just under 30 per cent of Montedison, which in turn controls companies in three main sectors: agroindustry, through Eridania Bagnin-Say, the quoted French company; energy, through Edison, which is listed in Milan; and chemicals, through Montecatini. The industrial part of the plan, which runs until 1997, involves hiving off non-core businesses and strengthening these three main pillars. Montedison's results for 1994 should show the impact of this process, although in the last two to three weeks indications that the group will not break even after tax and minority interests have depressed the share price.

As Montedison has begun to pull out of recession, its management has come under pressure from certain investors to accelerate or diverge from the restructuring plan, either by merging Ferfin and Montedison or selling off core interests, such as Eridania Bagnin-Say. A merger would be in the interests of the main creditor banks, which converted much of their debt into equity, and are now among the biggest investors in Ferfin, whereas the Montedison share register is dominated by new shareholders, including investment funds. Ferfin shares have underperformed those of Montedison since the beginning of last year.

Mr Rossi has defended the original plan and timetable, but there was no evidence yesterday that he had fallen out with shareholders. Mr Rossi said he would return full-time to his corporate law practice. He has maintained a parallel law career while heading Ferfin and Montedison. For example, he was one of many advisers to Credito Italiano, the Italian bank, on its successful bid for Credito Romagnolo of Bologna which finished last month. The announcement had little impact on the two groups' shares. Ferfin's price fell by L32 to L1,091, and Montedison's price dropped by L9 to L1,218. Lex, Page 16

Russian oil group to launch share issue

By John Thornhill in Moscow

Surgutneftegaz, Russia's second largest oil producing company, is to press ahead with the development of two new fields financed by a share issue aimed at domestic investors. "In the coming two years we intend to stabilise the company's oil extraction and in 1997 achieve a gradual increase," said Mr Vladimir Bogdanov, general director, who yesterday staged Surgutneftegaz's first press conference in its 30-year history. Last year Surgutneftegaz's oil output fell 10 per cent to 34.2m tonnes as the company suffered from the country's economic upheavals. But Surgutneftegaz still accounts for 11 per cent of Russia's oil production and intends to develop the Tyran and Konitor fields, which it estimates contain about 360m tonnes of reserves. Surgutneftegaz is seeking to raise about Rbs200bn (\$45.9m) from Russian private investors through large-scale share sales. Mr Bogdanov said the company had studied conditions in international capital markets but concluded that foreign portfolio investment was too "speculative" for its purposes. "The issue's timing and the amount raised will be complicated by the lack of stock market infrastructure in Russia. To raise the money, Surgutneftegaz is having to create a regional network of dealers, develop a depositary and registry system and provide detailed information about its finances and operations. Surgutneftegaz's approach to raising finance contrasts with that of Lukoil, Russia's biggest oil producer, which is attempting to sell 15 per cent of its shares on international markets. The Russian stock market has fallen sharply this year because of the uncertainties caused by the Chechen conflict and the aftermath of the Mexican financial crisis. Other Russian companies which have tried to raise money from domestic retail investors have met with little enthusiasm. But Mr Bogdanov said he believed the public would be attracted to concrete investment projects. A Russian accounting firm, Rosobescom, is auditing Surgutneftegaz but the company also intends to hire one of the big six western accounting firms to produce accounts which comply with international standards.

Andrew Fisher finds that next year's huge Deutsche Telekom sale has focused minds

Germans want a better deal on new issues

With one of the world's biggest ever equity issues looming on the horizon, Germany's record in bringing new companies to the stock market is coming under close scrutiny. The country's performance in initial public offerings is hardly one to boast about, although a marked upturn is expected in 1995. Last year, only 11 companies came to the market to raise DM1.2bn (\$780m). The figures for 1993 were no higher. Yet the Deutsche Telekom issue, due in mid-1995, will total DM15bn, more than the total new issue volume in the 1980s. To succeed, it will have to raise equity awareness in Germany, where half the Telekom shares will be sold. "It's so big that small investors and housewives need to be alerted," says Mr Hendrik Borggreve, head of the German operation of Kleinwort Benson, the UK investment bank. "Everyone must think that if they buy these shares, it will do them good."

The Telekom issue should also benefit the market by encouraging more companies to raise equity. Says Mr Stefan Schiffer, senior analyst at Schroder, Munchmeyer Hengst, the Frankfurt bank owned by Britain's Lloyds Bank: "Deutsche Telekom could give Mittelstand (medium-sized) companies something to consider if they want to come to the market." The new issue scene certainly needs more solidly based companies; some recent issues have been very small. More fundamentally, the impending Telekom sale, which will dominate the market - should accelerate issues now being planned. Some large deals are already in the pipeline. This year's largest new issue will be SKW Trostberg (a chemicals company owned by Vlag), which could raise up to DM1bn. Another, SGL Carbon (owned by Hoechst), should exceed DM500m, with Schwarz Pharma raising about half this much. Thus the new issue total in 1995 should be well over double that of 1994. Last year's biggest issue was Hannover Rb, the reinsurance group, which raised DM530m. The shares did not receive a rapturous reception and have slid 17 per cent below the offer price. The most successful issue was Fielmann, the optical chain, which raised DM230m and whose shares have risen by 18 per cent.



machinery) and Wern (windows and doors), SMH said owners of smaller companies sold shares for tax reasons to reduce the value of their unlisted holdings. "Under these circumstances, the 1993 [new issue] stocks performed even more disappointingly in 1994," SMH commented. The worst performers were Ecom (computers) and DB-Soft (software); shares in both companies fell by some 40 per cent. Experiences like these hardly increase investors' confidence in German new issues. What they seek is more issues like Wella (haircare) and SAP software, growth companies with an impressive share performance. Compared with other countries, Germany's new issue performance is "pathetic and unsatisfactory," says Mr Rüdiger von Rosen, head of the German Share Institute, which promotes equity awareness. Between 1987 and 1993, some 1,900 US companies obtained listings on the New York and American Stock Exchanges and 3,000 on Nasdaq. The listing figure for the UK was 1,106 and for Japan 384. But German new issues totalled a mere 146. Had such market conditions prevailed in the last century, some of today's top German companies might not exist. Mr von Rosen said provocatively, "If they had experienced the same financial burdens as today's innovators, the industrial revolution might never have occurred."

Yet despite the slow pace of German new issues, many businesses want to know more about the benefits and risks of going public. "There is lots of appetite," Mr Borggreve says. "When we talk to potential candidates, they are all very keen to learn how it is done." As the flotation plans of SKW Trostberg and SGL Carbon show, bigger issues are on the way. "Such companies are not dependent on one market and can ride through the bad years," says Mr Christian Sundermann, new issues specialist at Westdeutsche Landesbank. "Smaller companies are often more vulnerable."

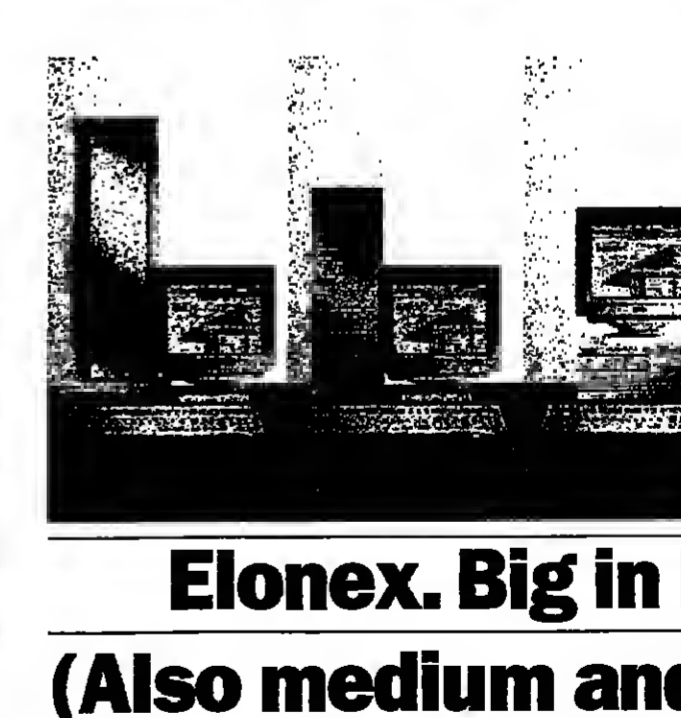
David Wighton reports a surprising UK appointment

Rudd looks to Pilkington to provide a new buzz

There is no disguising the fact that Mr Nigel Rudd is pleased to be chairman-elect of Pilkington. The world's biggest glass maker, yesterday confirmed that Mr Rudd would take over from Sir Antony Pilkington in July, becoming the first chairman to come from outside the family for 170 years. A man not troubled by false modesty, Mr Rudd, 48, is proud of his achievement in building Williams Holdings into a £20bn (\$3.1bn) manufacturing group in little more than a decade. But he clearly believes that the top job at Pilkington, a company worth half as much as Williams, would put him in a different league. Pilkington is one of the UK's handful of world-class manufacturing companies and it will give Mr Rudd a much higher profile than his other chairmanships at Williams and East Midlands Electricity. "It is a very prestigious position and I will certainly be taken more seriously. People won't be able to say: 'He just got lucky in the 1980s. What does he know about business?'"

Mr Rudd was Sir Antony's own choice. A self-confident, self-made man who left school at 15, Mr Rudd could hardly be more different from the patriarch and somewhat diffident Sir Antony. While Sir Antony was widely criticised for being slow to cut costs at the onset of the recession Mr Rudd has never been afraid of being tough, most notably when he led the boardroom coup that saw his friend, Mr John Harris, ousted as chairman at East Midlands. But Mr Rudd and Sir Antony have at least one thing in common: a commitment to manufacturing. "I love manufacturing companies. I really get a buzz

were not expecting fireworks Mr Rudd's move still met with a lukewarm reaction from analysts. "If Williams is not interesting enough for it to be a full-time job perhaps it will prove an equally dull investment," said a leading analyst. Mr Rudd will be considerably less than full-time at Williams, at least to begin with. He expects to spend more of his time on Pilkington, in particular visiting its operations in Europe, the US and Latin America. Mr Rudd believes he will be able to help Pilkington's communications with the City and investors, though he stresses he will not be "one of the gin-and-tonic merchants who spend all their time at cocktail parties." "I am also very, very good at team building," he says, although the City appears happy enough with Pilkington's management under chief executive Mr Roger Leverton. "It is very different from the situation Nigel Rudd faced at East Midlands Electricity," observed one analyst. "Pilkington did have problems, not least the paternalistic culture of which Sir Antony represented the last bastion. But it now has the right strategy and the right people."



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FRANKFURT (DM)			
Boysen	365.5	- 4.5	
Boysen Bank	340	- 8	
Boysen Bank	423.5	- 5.3	
Boysen Bank	608	- 12	
Boysen Bank	215	- 8	
Boysen Bank	105.5	- 7.4	
LONDON (Pence)			
Boysen	135	+ 17	
Boysen	182	+ 8	
Boysen	125	+ 7	
Boysen	458	+ 27	
Boysen	354	- 12	
Boysen	145	- 12	
TORONTO (Cdn)			
Boysen	94	+ 4	
Boysen	174	+ 14	
Boysen	414	+ 14	
Boysen	29	+ 1	
Boysen	74	- 4	
Boysen	594	- 14	
Boysen	607	- 17	
Boysen	600	- 31	
Boysen	600	- 31	

Boysen	347	- 8
Boysen	353	- 8.3
Boysen	323.5	- 0.5
TOKYO (Yen)		
Boysen	686	+ 25
Boysen	487	+ 22
Boysen	691	- 21
Boysen	2670	- 128
Boysen	571	- 28
Boysen	494	- 25
Boysen	1.93	+ 0.11
Boysen	31.2	- 0.7
Boysen	17.8	- 0.95
Boysen	28.85	- 0.75
Boysen	44.7	- 1.2
Boysen	65.4	- 1.8
Boysen	400	+ 28
Boysen	489	+ 14
Boysen	65	+ 4
Boysen	60.5	+ 5.5
Boysen	32	- 6.25
Boysen	31	- 0.5

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INTERNATIONAL COMPANIES AND FINANCE

MGM expects European earnings to reach £26m

By Andrew Jack in Paris

The European MGM cinema network controlled by Crédit Lyonnais, the loss-making state-owned French bank, is expected to generate profits of about £26m (£41m) in the 1994 financial year.

The figures, in line with expectations, should help boost the allure of the cinema - in the UK, Ireland, the Netherlands and Denmark - ahead of the deadline for preliminary bids, due by the end of next week.

Crédit Lyonnais hopes to receive about FF1.7bn (\$338m) from the sale of the network. The sale is part of the bank's strategy of focusing on core operations and recouping substantial losses of FF6.9bn for 1993 and FF4.5bn for the first half of 1994.

The profit figure used to assess the network's performance - comprising earnings

before interest, tax and depreciation - will be about £22m for the UK and Ireland for the 12 months to December 31 1994, against £19.3m in the previous year.

The figure in the Netherlands is expected to drop to FF1.7m (\$4.55m) from FF1.8m in 1993, reflecting rationalisation and extraordinary expenditure. Earnings on the Danish business should contribute about another £1m.

It also emerged yesterday that only five, or fewer, bidders out of about 50 serious contenders identified are likely to be selected for the short-list, which will be drawn up when offers close on March 3.

The 1994 accounts have not yet been made public, as the figures are still being finalised. They will form part of the consolidated results of Crédit Lyonnais when it publishes its full-year results, which are expected in late March.

The bank acquired the MGM network in 1992 when Mr Giancarlo Parretti, the Italian financier who first acquired the group, defaulted on repayments on a \$1bn loan.

Crédit Lyonnais subsequently restructured the group and sold it in 1993 for \$210m to Bearpierre, one of its own subsidiaries.

Under the terms of the public auction announced at the start of this month, the sale of assets is being handled in three parts: its 102 traditional cinemas and 18 multiplexes in the UK and Ireland; 21 cinemas and the Netherlands' only multiplex; and a 50 per cent stake in Nordisk Film, which controls nine cinemas in Denmark.

There have already been more than 100 requests for information on the MGM European network, about half of which are being taken seriously.

Bikuben tumbles to loss of DKr1bn

By Hilary Barnes in Copenhagen

Bikuben, the flagship of the Danish savings bank movement, yesterday reported a loss of DKr1.05bn (\$178m) in 1994, against a profit of DKr175m in 1993.

The board recommended that no dividend be paid.

"It was a really dreadful result," said Mr Henrik Thunson, who was called in last autumn to take over as chief executive at the ailing bank.

Bikuben has already introduced a programme to reduce costs by DKr300m a year through a cut in staff of 600, to 4,300, over two years. It is aiming to generate a profit of DKr700-DKr800m by 1997.

Last year's performance was marred by an unrealised loss of DKr74m on securities compared with unrealised gains in 1993 of DKr1.28bn.

Loss provisions, however, were slashed to DKr1.02bn from DKr2.69bn in 1993.

The bank also carried net extraordinary costs of DKr478m in 1994, which included redundancy payments.

The capital adequacy ratio at the end of the year was 12.25 per cent, but a series of poor years has reduced equity capital by 44 per cent, to DKr3.79bn at the end of last year from DKr6.78bn in 1991.

Total assets at the end of 1994 were DKr65.7bn, down from DKr100bn a year earlier.

Details of new market unveiled

By Andrew Jack

Details of a new stock market aimed at small, fast-growing companies across Europe were unveiled yesterday by the Paris bourse.

The French market, due to open at the start of next year, will be aimed at largely high-technology companies with assets of at least FF20m (\$3.8m) and capital of FF5m. It hopes to attract at least 30 businesses during its first year, and thereafter up to 50 annually, including some from other countries in the European Union and elsewhere in Europe.

Plans for the *nouveau*

marché come only days after the London Stock Exchange launched its Alternative Investment Market for small companies, and ahead of plans being discussed by individual European stock exchanges and by the European Venture Capital Association for a market across the continent.

A panel of senior market professionals and regulators, chaired by Mr Bruno Roger, managing partner of Lazard Frères, the merchant bank, published their 50 recommendations in a report yesterday after starting work last summer to consider the potential for the new market.

"This is an event for the

bourse de Paris," said Mr Roger. "It has been more than 10 years since we created a new market." He said the panel's forceful recommendations in favour of the market were justified by the number of entrepreneurial companies in France, their demand for new capital and the interest in investing in risk capital.

According to the report, the Société des Bourses Françaises, which runs the French market, will create a special organisation to draw up detailed operating guidelines ahead of a launch on January 1 1996.

Companies must have at least 100,000 shares quoted on the market, representing

FF15m-FF10m in capitalisation. They are likely to be owner-managed, and the directors will be allowed to retain the majority control.

In contrast to the new London market, the French panel has placed strong emphasis on tight regulation as well as regular communication between the company and its shareholders and financial transparency to compensate for the high degree of risk involved in the investments.

Mr Jean-François Théodore, chairman of the bourse, rejected suggestions that the new market posed a threat to other markets being proposed for small companies.

Paris is hoping small is beautiful

Authorities aim to broaden the bourse's appeal, says Andrew Jack

Mr Bruno Roger, managing partner of Lazard Frères, posed the three most important questions at a press conference yesterday on the creation of the market for small, high-growth companies in Paris.

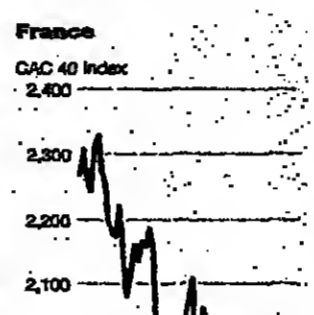
"Do we have the companies, do we have the investors and what structure will the market take?" asked Mr Roger, head of the new market's working party.

The committees that drew up the recommendations published this week clearly believe they have positive answers to all three. Others may prove more difficult to convince.

There is little doubt the potential exists for such a market for the type of companies to be targeted. France has a rich base of small and medium-sized businesses, many of which have traditionally shied away from obtaining a quotation. There were only 38 introductions to the bourse last year, against 278 in the UK.

A study by Insee, the French statistical bureau, suggested that 5,000 companies would meet the criteria for the new market, namely turnover of more than FF50m (£9.6m) a year, growth rate exceeding 15 per cent over three years, and more than 50 employees. A more in-depth study suggested 126 readily-identifiable candidates.

Equally, there is a growing interest in Europe in the scope



competitors, and have aggressively pushed for the development of Paris' own new market.

The French bourse authorities call not only for a domestic market with local investors for French companies, but for international investors buying shares in companies across Europe - including former parts of the Communist bloc.

But will companies be persuaded to come to the market? French companies have traditionally shied from equity, preferring to remain in family control and raise finance either through their own resources or through banks.

likely to appeal particularly to institutions - both French and from other countries - rather than to individual investors.

One perennial problem for France is the lack of institutional capital, most notably because the country does not have a developed system of pension funds, which account for so much investment in London and New York.

When it comes to international investors, France continues to have a problem: the disappointing performance of equities. Last year, for example, the CAC-40 index of leading stocks fell by 17 per cent.

While many European stock markets have been through a turbulent few months, many analysts express increasing surprise at how poorly France has performed, even though the economy is clearly recovering. Explanations are becoming more difficult to find, and it does not inspire investors.

Record profits at Norsk Hydro

By Karen Fosell in Oslo

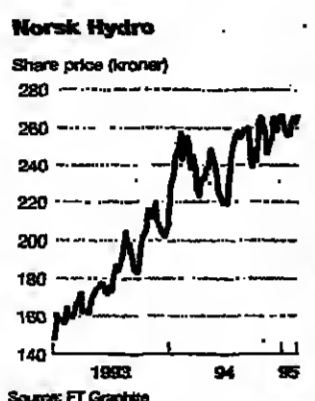
Norsk Hydro, Norway's largest publicly-quoted company, yesterday reported record profits for 1994. The improvement came from advances in virtually all the group's main activities, on the back of higher prices, increased demand and higher capacity utilisation. The shares, however, ended NKr6 down at NKr258.

Hydro boosted 1994 pre-tax profits, before minority interests, to NKr6.53bn (\$997m) from NKr4.74bn, as net profits rose sharply to NKr4.04bn from NKr2.98bn. Its operating profit soared 80 per cent to NKr7.27bn as sales rose sharply to NKr71.36bn from NKr63.81bn.

In 1993, there was a NKr2.53bn pre-tax gain on the disposal of the group's 33.3 per cent share in Freia Marabou, the Norwegian chocolate producer.

The group proposes to increase the dividend payment to NKr4.25 a share for 1994 from NKr3.50 in 1993.

Net income from associated companies surged to NKr5.47m from NKr4.94m, with Dyno, the



unrealised currency movements resulting in a gain of NKr124m last year, against a loss of NKr496m in 1993.

Net interest-bearing debt was cut to NKr20.7bn from NKr25.3bn during 1994.

Agriculture moved ahead strongly, more than tripling 1994 operating profit to NKr1.56bn from NKr481m, as sales rose to NKr29.57bn from NKr26.9bn, helped by an 8 per cent increase in fertiliser prices.

Oil and gas lifted 1994 operating profit to NKr3.35bn from NKr1.15bn, as sales advanced to NKr14.52bn from NKr14.08bn. A 9 per cent fall in oil prices was offset by a rise in oil and gas production, to 11.5m tonnes of oil.

The group's light metals operations more than tripled operating profit to NKr1.64bn from NKr458m, as sales advanced to NKr20.83bn from NKr17.75bn on the back of a 29 per cent rise in aluminium prices.

Petrochemicals more than doubled 1994 operating profit, to NKr389m from NKr381m, as sales rose by NKr874m to NKr5.61bn.

Kaufhof unit sale blocked

Kaufhof, the German retail group, said yesterday the Federal Cartel Office had blocked the planned sale of its ITS tourism group to Hanover-based Touristik Union International. Reuters reports from Cologne.

ITS, the fifth-largest travel operator in Germany, had domestic travel sales of DM1.3bn (\$873m) for the 1993-94 fiscal year that ended October 31.

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21 February 1995

NOTICE OF EARLY REDEMPTION

UNOCAL

U.S.\$200,000,000

Union Oil Company of California

Guaranteed Floating Rate Notes due 1996

Guaranteed by Unocal Corporation

NOTICE IS HEREBY GIVEN THAT, pursuant to Paragraph 6 (a) of the Notes, the Company has elected to redeem all outstanding Notes on March 23, 1995 (the "Redemption Date") at a price equal to 100 per cent of their principal amount (the "Redemption Price"). Interest on the Notes due on or prior to the Redemption Date shall be payable only upon presentation or surrender of coupons for such interest at any of the paying agencies listed below. Interest on the Notes shall cease to accrue from and after the Redemption Date.

Payment of the Redemption Price will be made upon presentation and surrender of the Notes, together with all unexpired coupons maturing subsequent to March 23, 1995, at any of the paying agencies listed below. In the event any such unexpired coupons fail to be presented, the amount of the missing coupons will be deducted from the Redemption Price.

Paying Agencies

Union Bank of Switzerland
Bahnhofstrasse 45
CH-8001 Zurich

Paying Agencies

Union de Banques Suisses
(Luxembourg) S.A.
36-38 Grand Rue
L-2011 Luxembourg

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Avenue des Arts 35
B-1040 Brussels

February 21, 1995
ISIN: CH0008999663

By: Union Oil Company of California

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Floating Rate Subordinated Notes

Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 6.425% and that the interest payable on the relevant interest payment dates will be US\$165.63.

February 21, 1995, London
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

To the Holders of

SHEARSON LEHMAN CMO, INC.

Series F, Class F-1 Floating Rate Bonds

Due February 20, 2003

Pursuant to the Indenture dated as of February 1, 1985 between Shearson Lehman CMO, Inc. as Issuer and Texas Commerce Bank as Trustee, notice is hereby given that the interest rate applicable to the above Bonds for the interest period February 20, 1995 through May 19, 1995 as determined in accordance with the applicable provisions of the Indenture, is 6.8750% per annum. Amount of interest payable is U.S.\$24,696,329.617 per U.S.\$100,000 principal amount.

SHEARSON LEHMAN CMO, INC.

Shawmut Corporation

U.S.\$50,000,000

Floating Rate Subordinated Notes

Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 6.425% and that the interest payable on the relevant interest payment dates will be US\$165.63.

February 21, 1995, London
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Notice is hereby given that the notes will bear interest at 6.375% per annum from 21 February 1995 to 21 August 1995. Interest payable on 21 August 1995 will amount to US\$160.25 per US\$1,000 note and US\$3.205.21 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

MFC Finance No. 1 PLC

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Series 'A' to 'F' Mortgage Backed Floating Rate Notes

Due October 2003

Notice is hereby given that, in accordance with Conditions 8(d) of the Prospectus dated 12th October 1994, the Issuer intends to redeem £1,800,000 in aggregate value of the Notes on the respective March 1995 interest payment dates.

By: Citibank, N.A. (Issuer Services)
February 21, 1995, London

CITIBANK

CITICORP

U.S.\$250,000,000

Subordinated Floating Rate Notes Due August 2003

Notice is hereby given that the Rate of Interest for the period February 21, 1995 to May 19, 1995 has been fixed at 6.125% and that the interest payable on the relevant interest payment dates will be US\$162.50 and in respect of US\$5,000,000 nominal of the Notes and US\$1,480.20 in respect of US\$100,000 nominal of the Notes.

February 21, 1995, London
By: Citibank, N.A. (Issuer Services), Agent Bank

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Banca Nazionale del Lavoro

(Incorporated in the Italian Republic)

London Branch

Notice is hereby given that the Rate of Interest for Coupon No. 39 has been fixed at 6.5% pa and that the interest payable on the relevant interest payment dates will be US\$162.50 and in respect of US\$5,000,000 nominal of the Receipts will be US\$4,062.50.

February 21, 1995, London
By: Citibank, N.A. (Issuer Services), Agent Bank

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U.S.\$100,000,000

Guaranteed Floating Rate Notes due 1997

Guaranteed as to payment of principal and interest by

THE SAKURA BANK, LIMITED

For the three month period 21st February, 1995 to 22nd May, 1995 the Notes will carry an interest rate of 6.5% per annum with a coupon amount of U.S.\$162.50 per U.S.\$100,000 Note and U.S.\$4,062.50 per U.S.\$100,000 Note, payable on 22nd May, 1995.

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INTERNATIONAL COMPANIES AND FINANCE

Echo Bay warns of falling output

By Kenneth Gooding,
Mining Correspondent

Echo Bay Mines, one of North America's biggest gold and silver producers, expects its gold output this year to slip by about 6 per cent, from 517,946 troy ounces in 1994.

Mr Richard Kraus, president, predicted yesterday that Echo Bay's gold cash production costs would be about US\$200 an ounce higher than the 1994 average of \$214.

There would be no material change in silver production, which fell by 16 per cent from the 1993 level, to 10.4m troy ounces last year, Mr Kraus told analysts at institutional investors in London.

It warned that 1995 would be the second successive year of

falling gold production at Echo Bay. Last year, its output fell by 6 per cent because of poorer concentrations of gold in the deeper ore mined at two of its four mines. At McCoyCove, in Nevada, less gold is being recovered from deeper sulphide ores, while the Lupin mine, in Canada's Northwest Territories, has similar problems.

Echo Bay's gold reserves slipped by 8 per cent to 11.3m ounces at the end of 1994.

It doubled exploration spending last year, from \$13.5m to \$27.1m, and will continue at the latter level in 1995. More will be spent outside North America this year: 60 per cent compared with 40 per cent last year, said Mr Robert Armstrong, executive vice-president, operations.

Last year, Echo Bay formed several strategic alliances and joint ventures with exploration companies and smaller concerns to win access to prospects in Ghana, Brazil, Venezuela, and Bolivia, among others. The company already has exploration operations in Mexico.

Attempts to re-open the Alaska-Juneau mine were stalled, said Mr Armstrong. However, Echo Bay was in talks in the hope of re-starting the permitting process. The final permits for the proposed Kensington mine should be given in 1995.

Echo Bay has reported 1994 net earnings at \$8m, or 7 cents a share, up from \$3.5m, or 3 cents, on revenue which rose 3 per cent from \$36.5m to

\$37.7m. The average selling price realised rose from \$380 to \$387 an ounce. The company's policy is to hedge no more than one-third of its production. For 1995, it will deliver 127,200 ounces of gold at an average price of \$393 an ounce against forward sales positions and loan maturities.

It has also agreed to deliver 4.4m ounces of silver at prices averaging \$5.53 an ounce.

At the end of 1994, Echo Bay's \$202m in cash more than offset its total debt of \$138m. Its year-end cash position net of debt was \$69m, up from \$39m at the 1993 year-end.

Mr Kraus said: "We have the cash flow to grow this company." Last year, operating cash flow was \$108.1m compared with \$107.5m in 1993.

US cereal makers await the crunch

The industry is on the brink of a price war, writes Richard Tomkins

This ought to be a good time for the cornflake industry. The iron curtain has been lifted, opening new markets in eastern Europe, developing countries are beginning to acquire a taste for ready-to-eat cereals, and in the west, the trend away from cooked breakfasts continues.

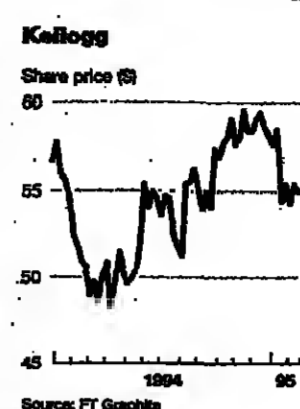
Instead, the two biggest US breakfast cereal manufacturers are struggling. While overseas sales are growing and the world's biggest market for breakfast cereals is on their doorstep, US sales growth has slowed to almost nothing.

Largely as a result of weak domestic demand, Kellogg, the biggest US breakfast cereal company, lifted net profits by less than 3 per cent to \$153m in its latest quarter.

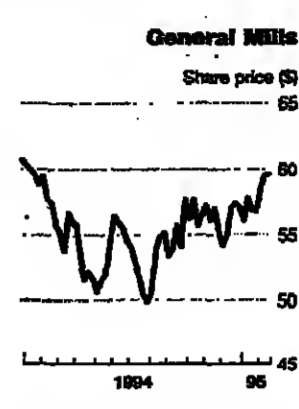
General Mills, the second biggest, performed slightly better, increasing net profits by 6 per cent to \$248m. Last Friday, however, it warned its shareholders to expect a \$170m restructuring charge in the current quarter, of which \$110m would relate to the cost of cutting production capacity in its US breakfast cereal business.

Why the soggy US demand? The price on a packet of cornflakes tells the story. In the UK, Kellogg's biggest market outside the US, a 500g box of Kellogg's Corn Flakes costs £1.75 (\$2.77) at a London branch of J. Sainsbury, the supermarket chain. In a Manhattan branch of the D'Agostino supermarket chain, a 510g box of Kellogg's Corn Flakes costs \$3.29 - 17 per cent more than in the UK, even though the product is American in origin.

The high cost in the US is



Source: FT Graphix



Source: FT Graphix

the legacy of the years when the big manufacturers pushed up prices, but held on to customers with money-off coupons. By the early 1990s, the promotional activity had started to get out of control. In 1993, about 60 per cent of cereal purchases were made at an average 35 per cent discount.

With earnings growth flagging, both Kellogg and General Mills announced last year that they were reducing their promotional spending to cut costs. The short-term effect was to boost the companies' profits. But without money-off coupons, the move raised net effective prices at the supermarket check-out by between 45 per cent last year for the category as a whole, according to Mr Les Pugh, an analyst at Salomon Brothers.

To many industry observers, the big cereal manufacturers' strategy looked odd. After all, most other makers of branded products were cutting prices in response to a consumer revolt against costly, brand-name goods. General Mills partly compensated by cutting the prices of

its best-selling cereals by an average of 11 per cent.

But as Mr John O'Neill, an analyst at Oppenheimer & Co, said in a research note on Kellogg: "While other food and consumer categories are moving toward an everyday low pricing strategy, Kellogg is attempting to lead the cereal category into an everyday higher pricing strategy."

The US breakfast cereal market grew by barely 1 per cent last year, largely as a result of the cut in the big companies' promotional activity.

For Kellogg and General Mills, that would be bad enough, but their high prices have meant a loss of market share to private label products and to smaller companies that have continued promotional spending, such as Philip Morris's General Foods division with its Post and Nabisco brands.

The share prices of Kellogg and General Mills have suffered accordingly. Yet it is not the declining market share that bothers investors, so

much as the fear of what the companies will do to remedy it.

As Mr Pugh explains: "The market is scared that one morning it will wake up and hear Kellogg say: 'Enough is enough - we can't take this loss of market share any more. If it does, it's war.'"

By war, he means a cereal version of Marlboro Friday - the day in 1993 when Philip Morris slashed the prices of its premium cigarette brands to regain market share from cheaper, private label products. The resulting price war temporarily ravaged profits in the US tobacco industry.

On balance, most analysts think a cereal war may be averted. Ms Nomi Ghez at Goldman Sachs believes private label penetration of the breakfast cereal market is too low, and the price differential between private label and branded products too narrow, for it to be a serious threat.

Mr Pugh thinks net effective prices will gradually edge down in real terms over the next three to five years "until you reach some proper economic value for the product".

Even so, Mr Arnold Langbo, Kellogg's chairman and chief executive, sent a tremor through the industry last month when he accompanied a weak quarterly result with the statement that Kellogg was "extremely sensitive toward further volume decline" in its US cereal business.

Kellogg will not say just how that sensitivity might express itself.

But the market senses that Kellogg is not going to stand by and do nothing while its market share continues to slide. The crunch, it fears, may not be far away.

President of Canadian stockbroker resigns

By Robert Gibbins in Montreal

Mr Peter Wallace has resigned unexpectedly after three years as president of Midland Wolyn Capital, Canada's biggest retail stockbroker, which is 21 per cent-owned by Mackenzie Financial, a big mutual fund distributor.

Mr Robert Schmitz, chairman, said Midland wanted to remain independent, and denied that takeover talks were under way.

Ha refused to discuss Mr Wallace's departure, though another Midland official confirmed it stemmed from a policy disagreement.

Mr Wallace became Midland's president in 1991 as a result of a merger. Like many other brokerage funds, Midland lost money in the fourth quarter of 1994 because of a dearth of new underwritings and a poor stock market. Mrs Darcia Joseph, vice-president of marketing, has left T. Eaton, Canada's best-known department store chain. Her departure was attributed to disagreements on merchandising policy.

She had tried to rejuvenate Eaton's image with a high-profile marketing programme, but the impact on sales was slow to appear, retail analysts said.

Bilfinger drops Buderus plan

Bilfinger & Berger, the German construction group, has withdrawn its application to raise its stake in heating engineer Buderus from about 15 to 25 per cent, because of concerns at the Federal Cartel Office, reports Reuter from Mannheim, Germany.

Bilfinger said it did not consider the cartel office's misgivings about the plan justified.

Tobacco ruling hits shares

By Richard Tomkins
in New York

Shares in US tobacco companies are likely to come under pressure today as the market reacts to mounting legal pressures on the US cigarette manufacturing industry.

On Friday a court in New Orleans delivered a ruling that clears the way for lawyers to bring a multi-billion dollar class action lawsuit against the industry. It looks set to become the biggest such action in legal history.

The market had little time to digest the implications of the ruling because it came as traders were clearing their desks for the holiday weekend.

However, shares in Philip Morris, the biggest US cigarette manufacturer, fell 1 1/2 to 90 1/2 in late trading. Shares in RJR Nabisco, the second big-

gest, fell 3/4 to \$54.

US financial markets were closed yesterday for Presidents' Day. In London, however, shares in BAT Industries, the UK financial services and tobacco conglomerate which owns Brown & Williamson Tobacco and American Tobacco in the US, fell 10p to 42p.

The New Orleans ruling paves the way for a consortium of 60 US law firms to proceed with a class action suit on behalf of tens of millions of present and former smokers in the US, claiming damages for their alleged addiction to nicotine.

The suit names Philip Morris, R. J. Reynolds Tobacco, Brown & Williamson Tobacco, American Tobacco, Liggett & Myers, Lorillard Tobacco and United States Tobacco; their parent companies; and

the Tobacco Institute, an industry body.

At least three of the companies - Philip Morris, R. J. Reynolds and Brown & Williamson - have already declared their intention to appeal against the court's ruling. They claim the class action certification is contrary to law.

Yesterday, they were also trying to put down the implications of the ruling. Mr Richard Schneider of King & Spalding, the law firm representing Brown & Williamson, said although the judge had certified certain core issues for decision in the case, he had denied class certification for individual claims.

"Each individual will still have to pursue their own claim as an individual before the question of any damages ever makes it to a jury," he said.

Bayerische Landesbank Bulletin

MONEY AND CAPITAL MARKETS REPORT

LIMITED SCOPE FOR SURPRISES

After 1994's turbulence, which repeatedly upset the bond market, interest rates have only limited scope for surprising movements in either direction at their current level.

As far as interest rates are concerned, 1994 fell far short of expectations. The euphoric mood prevailing at the start of the year, when the average yield was 5.41 per cent, gradually vanished as yields moved inexorably higher. The yield on ten-year bonds climbed from 5.8 per cent in mid-January to 7.75 per cent at the end of the year.

And this despite a nearly perfect fundamental environment. Here are the key fundamentals:

1. Inflation has slowed significantly. In December, headline inflation was down to 2.7 per cent, after 3.7 per cent a year before.
2. The consolidation of the public debt has started to produce results. As the budget deficit is shrinking, the government will no longer have to make excessive demands on the market.
3. Despite the improved economic outlook, private-sector borrowing has been expanding only at a moderate rate so far. In late October 1994, lendings by banks and savings institutions were only 6.2 per cent up from year-end 1993.

However, these three factors, which should have brought about a fall in interest rates, have failed to impress the market. They were eclipsed by the turnaround in US monetary policy which the unexpectedly robust economic expansion in the United States and the inflationary fears thus engendered had provoked. The Federal Reserve began

to ratchet up interest rates in February 1994. In due course, this prompted the German Bundesbank to put monetary easing on hold: since 27th July, the rate for the weekly fixed-rate tenders has been frozen at 4.85 per cent.

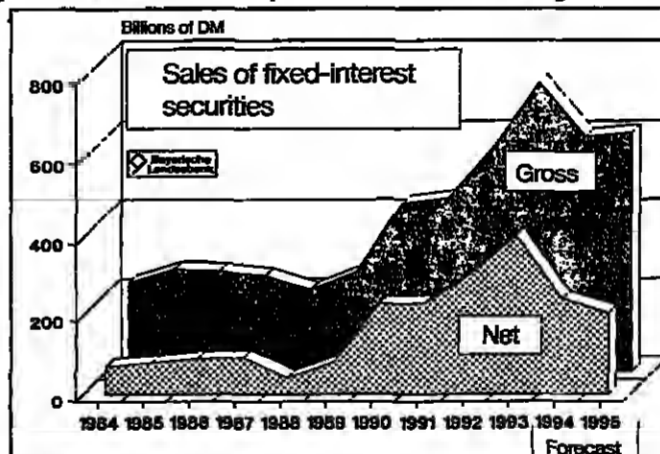
Sharpest setback since 1987
The rise in yields in the first half of 1994 was the sharpest setback in the bond market since the interest-rate reversal in the early summer of 1987. It seems, however, that the run-up in rates - the average public bond yield rose from 5.41 per cent in mid-January 1994 to 7.10 per cent in mid-June - was a bit too fast, triggering a reaction.

It would seem justified, for various reasons, to regard 1994's upward jump in interest rates as an aberration (though not an accidental one). As the three factors mentioned below indicate, there is cause for optimism regarding the course of rates in the next few months:

- The real interest rate (calculated on the basis of the yield on ten-year bank bonds) is currently at around 5 per cent. This level, which

is above the multi-year average, is too high for the good of the economy.

• The demand for long-term capital is falling slightly. The public authorities' borrowing requirements, averaging between DM170 billion and DM220 billion in the past four years, is shrinking due to spending cuts and higher tax revenue. The rise in private-sector borrowing in 1995 will probably be smaller than the drop in public-sector borrowing.



After 1993's record sales of fixed-interest securities of domestic issuers (gross sales: DM733 billion; net sales: DM403 billion), bond-market statistics for 1994 show the first sales decline since 1988. But the figures for 1994 - gross sales of DM600 billion and net sales of DM240 billion - are still far above those for earlier years. There are various explanations for the drop in bond sales in 1994. On the demand side, foreign investors' withdrawal from the German market put a serious dent in sales, mainly in the first half of the year. Non-banks did not return to the market until the ten-year yield approached 7 per cent in mid-year. On the supply side, the first progress made in consolidating the public budgets after the unification-induced debt explosion brought a decline in borrowing. Government borrowing thus played a less important role in 1994 than in the preceding years. In view of the rise in tax revenue, thanks to the economic revival, the public deficit is expected to shrink further, which will take pressure off the bond market. While gross sales, due to rising redemptions, will hardly diminish, net sales may continue to fall.

January), inflation will recede noticeably in the next few months. If we extrapolate the fourth-quarter trend to the first half of 1995, inflation rate can be expected to fall to 2.2-2.3 per cent in the ensuing months. US interest rates will remain in an uptrend, which should benefit the dollar. The German bond market's scope for decoupling from US interest rates will therefore remain small. Falling real interest rates in America could, however, give D-mark bonds a boost. In such event, the ten-year yield could even drop into the six-per-cent range again.

The picture presented by the German bond market after the turn of the year looks completely different from that presented a year ago. At that time, yields were close to their cyclical lows; the situation now is that long-term yields, at their current level, have only little scope for surprising movements in either direction.

Bayerische Landesbank, Department of Economic Research
Brienner Str. 18, D-80333 München, Fax (089) 21 71-13 29.

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Sr. No.	Description of work	Approximate quantity	Tender to be submitted by	Closing date and time	Availability of tender documents	Place of opening of tenders
1. MATHURY B-112 (10/94)	Temporary Office 19 units	19 units	ONGC, 30, Chowringhee Road, Calcutta - 700 071.	4.4.95 20.00 hrs.	From 10.00 hrs. to 16.00 hrs.	ONGC, 30, Chowringhee Road, Calcutta - 700 071.
2. MATHURY B-112 (10/94)	Computerized open book digital logging units	05 Nos	ONGC, 30, Chowringhee Road, Calcutta - 700 071.	4.4.95 20.00 hrs.	From 10.00 hrs. to 16.00 hrs.	ONGC, 30, Chowringhee Road, Calcutta - 700 071.

2. Non-transferable tender documents in addition to place mentioned in column 6 above, can be purchased on any working day on payment of requisite tender fee through crossed DPO/Bank draft drawn in favour of ONGC from the following places. The bank draft from the foreign parties should be payable in India:

- (i) Chief Manager (MD) ONGC, 30 Chowringhee Road, Calcutta - 700 071.
- (ii) Officer-in-Charge (T&S), ONGC, Asia Publishing House, Calcutta Street Ballard Estate, Bombay 400 003.
- (iii) Sr. MM Officer, ONGC, 7th Floor, MMDA Building, 8-Gandhi Irwin Rd. Ferozshah Mehta - 600 008.
- (iv) Sr. MM Officer, ONGC, 7th Floor, MMDA Jeevan Bharti Building, Connaught Circus, New Delhi 110 001.

3. The Agents/Representatives of the foreign principals in India are permitted to purchase tender documents on behalf of their principals on payment of tender fee in Indian currency at the conversion rate stated at para 4 below, which will be refunded if the offer from their principal is received along with prescribed tender fee in U.S.\$ However bid made by Agent/Representative will not be considered.

4. Domestic bidders may submit tender fee in Indian Currency @ 1 US\$ = Rs 30.00

European Investment Bank
ECU 500,000,000
Floating Rate Notes
due 2002
In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 31st August, 1995 has been fixed at 5.75% per annum. The interest accruing for such six month period will be ECU 145.35 per ECU 5,000 Bear Note, and ECU 2,906.94 per ECU 100,000 Bear Note, on 21st August, 1995 against presentation of Coupon No. 7.
Union Bank of Switzerland
London Branch Agent Bank
16th February, 1995

Midland Bank plc
Subordinated Floating Rate
Notes 2001
For the three months from February 20, 1995 to May 22, 1995 the Notes will carry an interest rate of 6.9125% p.a. On May 22, 1995 interest of 286.17 will be due per £25,000 Note and £861.70 in respect of £250,000 Note for Coupon No. 38.
Citibank, N.A. (New York Services),
Agent Bank

Bayerische Landesbank

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark stays dominant in calm currency markets

The trends of last week were maintained on the foreign exchanges yesterday, with the D-Mark continuing to gain ground against most currencies, writes Philip Goulet.

Trade, however, was fairly light, with US markets closed for the President's Day holiday, and traders adopting a cautious stance until they reopen today.

The dollar fell quite sharply during Asian trading, and this led to a dampening effect on European activity, it closed in London at DM1.4799, from DM1.4887.

In Europe the most conspicuous victim was the French franc, which fell to its lowest point since October 1993. It touched FF148.44, against the D-Mark, before finishing at FF148.45, from FF148.47.

Starting weakness continues, with the pound opening a penny weaker in London at DM2.3466, from Friday's close of DM2.3466. Thereafter it traded steadily, with the trade

weighted index unchanged at 86.9 throughout the day.

The Bank of Japan intervened to support the dollar when it fell below ¥97 during Asian trading. The BOJ was seen buying dollars around ¥96.00. The dollar fell to a low of ¥96.00 last November before the US Federal Reserve intervened to support it.

Mr Adrian Cunningham, international economist at Chase Manhattan in London, commented: "They don't want to see dollar at fresh lows because they will tend to re-ignite the downturn."

The Japanese government seems relaxed about the strong yen. Mr Jiro Saito, vice-minister at the Ministry of Finance, commented somewhat cryptically:

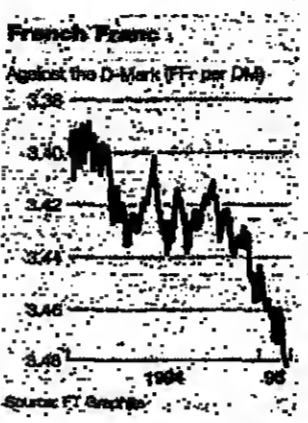
"We are watching the yen's rise with great interest. But the rise has not been occurring for a long period of time, so we would like to take some more time to watch the situation."

He said the yen's recent rise had been triggered by the stronger D-Mark.

Mr Adrian Cunningham, international economist at Chase Manhattan in London, said: "European markets don't appear keen to take the dollar much lower until they have a clearer idea of what is happening in Mexico."

Traders will also be keeping a keen eye on the Humphrey-Hawkins testimony tomorrow of Mr Alan Greenspan, chairman of the Fed. They will be seeking some sort of reassurance that the Fed has not been distracted by events in Mexico from shaping monetary policy to suit domestic circumstances.

Some recent dollar weakness has been ascribed to fears that the Fed is more concerned



about the level of the peso than the dollar.

There is little expectation of the dollar recovering in the short term. Mr Tim Fox, economist at Credit Suisse in London, said: "The common denominator within all the leading currency turmoil is the aversion to risk, be it political, fiscal or economic. There are few signs of these perceptions

of risk being laid to rest this week."

Although the dollar is below the levels which attracted intervention last November, expectations of further central bank support are muted.

One reason for this is the pace of decline, which has been orderly, rather than panicked. A second factor is that dollar weakness has not spilled over into the bond and equity markets. The positioning of the market is also not considered suitable for intervention, which normally succeeds best when the market is "reluctant" - probably not the case now.

A final factor is that the dollar, on a trade-weighted basis, is still around three per cent above where it was in October. While this reflects the weakness of the Mexican peso and Canadian dollar, more than any inherent dollar strength, it may serve as a buffer to the Fed to keep its powder dry.

If central banks fail to ride to the dollar's rescue, and sentiment remains negative, as it is, then there is no joy to be had for dollar bulls from a technical perspective either.

Mr Brian Marber, technical analyst, said that if the dollar closed beneath DM1.4790 (which it did), one per cent below the October (closing) low of DM1.4940, "it will confirm that its major trend is still down, leaving it on course for September 1993's DM1.3905 and, provided that level also gives way, a no time limit DM1.3222."

The Bank of England provided UK money markets with £11m assistance at established rates, and £150m late assistance, after forecasting a £350m daily shortage.

POUND SPOT FORWARD AGAINST THE POUND

Feb 20	Closing mid-point	Change on day	One month	Three months	One year	Bank of England
Europe	141.80	-0.0028	104.25	104.25	104.25	104.25
Australia	140.431	-0.0013	104.25	104.25	104.25	104.25
Belgium	140.431	-0.0013	104.25	104.25	104.25	104.25
Denmark	140.431	-0.0013	104.25	104.25	104.25	104.25
France	140.431	-0.0013	104.25	104.25	104.25	104.25
Germany	140.431	-0.0013	104.25	104.25	104.25	104.25
Greece	140.431	-0.0013	104.25	104.25	104.25	104.25
Ireland	140.431	-0.0013	104.25	104.25	104.25	104.25
Italy	140.431	-0.0013	104.25	104.25	104.25	104.25
Luxembourg	140.431	-0.0013	104.25	104.25	104.25	104.25
Netherlands	140.431	-0.0013	104.25	104.25	104.25	104.25
Norway	140.431	-0.0013	104.25	104.25	104.25	104.25
Portugal	140.431	-0.0013	104.25	104.25	104.25	104.25
Spain	140.431	-0.0013	104.25	104.25	104.25	104.25
Sweden	140.431	-0.0013	104.25	104.25	104.25	104.25
Switzerland	140.431	-0.0013	104.25	104.25	104.25	104.25
UK	140.431	-0.0013	104.25	104.25	104.25	104.25
USA	140.431	-0.0013	104.25	104.25	104.25	104.25

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 20	Closing mid-point	Change on day	One month	Three months	One year	J.P. Morgan
Europe	104.25	-0.0028	104.25	104.25	104.25	104.25
Australia	104.25	-0.0028	104.25	104.25	104.25	104.25
Belgium	104.25	-0.0028	104.25	104.25	104.25	104.25
Denmark	104.25	-0.0028	104.25	104.25	104.25	104.25
France	104.25	-0.0028	104.25	104.25	104.25	104.25
Germany	104.25	-0.0028	104.25	104.25	104.25	104.25
Greece	104.25	-0.0028	104.25	104.25	104.25	104.25
Ireland	104.25	-0.0028	104.25	104.25	104.25	104.25
Italy	104.25	-0.0028	104.25	104.25	104.25	104.25
Luxembourg	104.25	-0.0028	104.25	104.25	104.25	104.25
Netherlands	104.25	-0.0028	104.25	104.25	104.25	104.25
Norway	104.25	-0.0028	104.25	104.25	104.25	104.25
Portugal	104.25	-0.0028	104.25	104.25	104.25	104.25
Spain	104.25	-0.0028	104.25	104.25	104.25	104.25
Sweden	104.25	-0.0028	104.25	104.25	104.25	104.25
Switzerland	104.25	-0.0028	104.25	104.25	104.25	104.25
UK	104.25	-0.0028	104.25	104.25	104.25	104.25
USA	104.25	-0.0028	104.25	104.25	104.25	104.25

CROSS RATES AND DERIVATIVES

Feb 20	CHF	DKK	FF	DM	£	L	FI	HK	INR	JPY	NT\$	SEK	SFR	Y	ES
Belgium	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Denmark	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
France	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Germany	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Greece	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Ireland	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Italy	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Netherlands	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Norway	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Portugal	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Spain	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Sweden	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
Switzerland	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
UK	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25
USA	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25	104.25

UK INTEREST RATES

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK MONEY RATES

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK CLEARING BANKS

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK CLEARING BANKS

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK CLEARING BANKS

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK CLEARING BANKS

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK CLEARING BANKS

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK CLEARING BANKS

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK CLEARING BANKS

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK CLEARING BANKS

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK CLEARING BANKS

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

UK CLEARING BANKS

Feb 20	Overnight	7 days	One month	Three months	Six months	One year
Interbank Sterling	7.5	8.5	9.5	10.5	11.5	12.5
Bank of England	7.5	8.5	9.5	10.5	11.5	12.5
Local authority	7.5	8.5	9.5	10.5	11.5	12.5
Discount Market	7.5	8.5	9.5	10.5	11.5	12.5

TRANSPORT - Cont.[illegible]

1 **Yields** continued to decline in
 2 1994, with yields and P/E ratios
 3 at historic lows.
 4 **Market contributions** almost all
 5 negative.
 6 **Estimated performance** results
 7 for 1994 were negative, but
 8 calculated as "net" distribution
 9 on price appreciation. Yields
 10 on price appreciation of 20%
 11 for a dividend tax credit of 25%
 12 would be 1.5%.
 13 **Estimated net After-Tax Value** (in
 14 dollars per share) along with the
 15 price per share, showed a
 16 change in net value, considering
 17 the effects of the tax credit.
 18 **Indicates the most actively**
 19 **traded** among transactions with
 20 Stock Exchange and NASDAQ
 21 market.
 22 **Highs and lows** marked the
 23 price range.
 24 **Yields** (as lowered or
 25 increased) are shown.
 26 **Figures or ratios** (as
 27 lowered or increased) are
 28 shown.
 29 **2-Week** (or longer) moving
 30 average.
 31 **From annualization** (or
 32 from other basis) on Stock
 33 Exchange.
 34 **Changes of regulation**
 35 (or other basis) on Stock
 36 Exchange.
 37 **Figures or ratios** (as
 38 lowered or increased) are
 39 shown.
 40 **2-Week** (or longer) moving
 41 average.
 42 **Figures or ratios** (as
 43 lowered or increased) are
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 277 **Unweighted** (or weighted)
 278 average.
 279 **Unweighted**

Symbols relating to dividend and P/E ratios, guide to yields and P/E ratios.

* US\$; not listed on Stock Exchange; degree of regulation
 ** Rule 4.2(a) Irish incorporation

in assumed standard
yield after scrip issue.
a Higher issue pending
the above based on

FT Free Annual

FT Cityline
Up-to-the-second sha

OFFSHORE AND OVERSEAS

Reliably Money Funds
 Webster Hall, Portsmouth, New Hampshire

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Lazard Freres Managers - Cont'd.			
Account Name	1992	1993	1994
1995	1996	1997	1998
1999	2000	2001	2002
1993	1994	1995	1996
1997	1998	1999	2000
2001	2002	2003	2004
2005	2006	2007	2008
2009	2010	2011	2012
2013	2014	2015	2016
2017	2018	2019	2020
2021	2022	2023	2024
2025	2026	2027	2028
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071 873 3512 071 873 4645

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1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	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	Price	Change	% Chg
Asian International Share Fund (qd)			
Assets: \$1.0B			
Country: Japan			
Dividend: \$0.00			
Expense: 1.00%			
YTD: 1.00%			
1-Mo: 1.00%			
3-Mo: 1.00%			
6-Mo: 1.00%			
1-Yr: 1.00%			
3-Yr: 1.00%			
5-Yr: 1.00%			
10-Yr: 1.00%			
Asian Pacific Growth & Income			
Assets: \$1.0B			
Country: Japan			
Dividend: \$0.00			
Expense: 1.00%			
YTD: 1.00%			
1-Mo: 1.00%			
3-Mo: 1.00%			
6-Mo: 1.00%			
1-Yr: 1.00%			
3-Yr: 1.00%			
5-Yr: 1.00%			
10-Yr: 1.00%			
Asian Pacific Growth & Income			
Assets: \$1.0B			
Country: Japan			
Dividend: \$0.00			
Expense: 1.00%			
YTD: 1.00%			
1-Mo: 1.00%			
3-Mo: 1.00%			
6-Mo: 1.00%			
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Asian Pacific Growth & Income			
Assets: \$1.0B			
Country: Japan			
Dividend: \$0.00			
Expense: 1.00%			
YTD: 1.00%			
1-Mo: 1.00%			
3-Mo: 1.00%			
6-Mo: 1.00%			
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3-Yr: 1.00%			
5-Yr: 1.00%			
10-Yr: 1.00%			
Asian Pacific Growth & Income			
Assets: \$1.0B			
Country: Japan			
Dividend: \$0.00			
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1-Mo: 1.00%			
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1-Yr: 1.00%			
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Asian Pacific Growth & Income			
Assets: \$1.0B			
Country: Japan			
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Expense: 1.00%			
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1-Mo: 1.00%			
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1-Yr: 1.00%			
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Asian Pacific Growth & Income			
Assets: \$1.0B			
Country: Japan			
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YTD: 1.00%			
1-Mo: 1.00%			
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6-Mo: 1.00%			
1-Yr: 1.00%			
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Asian Pacific Growth & Income			
Assets: \$1.0B			
Country: Japan			
Dividend: \$0.00			
Expense: 1.00%			
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1-Mo: 1.00%			
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6-Mo: 1.00%			
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Asian Pacific Growth & Income			
Assets: \$1.0B			
Country: Japan			
Dividend: \$0.00			
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1-Mo: 1.00%			
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Asian Pacific Growth & Income			
Assets: \$1.0B			
Country: Japan			
Dividend: \$0.00			
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Asian Pacific Growth & Income			
Assets: \$1.0B			
Country: Japan			
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WORLD STOCK MARKETS

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The bull and bear necessities. No FT, no comment.

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hachijuni Bank	9.5m	1170	+10	Kaiso Telco	4.1m	760	+11
Tokai Bank	6.1m	354	—	Shimizu Pharm	4.0m	599	+1
Nippon Steel	5.0m	344	+5	Fushiba	3.7m	592	+1
Sanyo Denso Corp	5.0m	703	+30	Higashi Nip Bank	3.6m	771	+1
Nikk	4.6m	258	+11	Fuji Const	3.6m	1050	+30

Weak dollar sours bourse sentiment

PARIS narrowly avoided closing below the 1,800 level in a session dominated by technical trading amid light volume. Sentiment continued to be

MILAN ended marginally weaker as investors awaited details of the government's mini-budget, due to be announced in the next few

only Polygram rose on the day, up 70 cents at FL84.30, with Philips flat at FL56.50 after surrendering early gains on dividend hopes and both Uni-

SF915 on continued fears that its Mexican unit would sustain heavy losses in 1995 due to the country's financial crisis.

December 2, 1954. Turnover
was TL7,675bn, up from the
previous record of TL6,886bn.

Written and edited by William
Cochrane and John Pitt

Hong Kong declines on news of arrest in China

HK\$31.20 and Hutchison declined 60 cents to HK\$30.80. Brokers said selling was led by local investors as overseas participation was restrained by

been sold by overseas investors over the past few weeks. However, Japanese institutions which already hold large portions of high-technology

TAIPEI lost ground on a late wave of selling. The weighted index slipped 37.32 or 0.6 per cent to 6,612.97. Turnover was

$$= \frac{1}{\sqrt{\pi}} \int_{-\infty}^{\infty} e^{-t^2} dt = 1$$

Among the most active issues, Fletcher Canada was up C\$4 at C\$18.

Mexico falls on interest rate rise

SAO PAULO was pressured by settlement of negotiations which left the Bovespa index down 280

"Privatisations are picking up and inflation numbers continue to look good . . . The risk is that the Real is overvalued and its devaluation has to occur without the type of collapse that hit the peso."

Among the most active stocks, De Beers dipped 10 cents to R22.25 and Anglo's 80 cents to R184. Gencor shed 10 cents to R12.80. Iscor fell 15 cents to R11.15.

cerned about the rise of the yen, remained absent, and the Nikkei 225 average ended below 18,000, writes *Emiko Terazono in Tokyo.*

tions of high-technology share would attract few international investors, who were now focusing on the beneficiaries of domestic growth, he added.

SYDNEY's All Ordinaries index eased 3.0 to 1,853.2 in turnover estimated at A\$292m.

10-11-1964

Italy extends its lead over France

saying that there are now cheap equities to buy in Paris, Mr Jacques Chirac might find the key to injecting some excitement into his presiden-

Mr Cornish says that foreign brokers, including his house, were pushing their clients into the market from mid-December

The third biggest rise in turnover came in the UK, up 8.5 per cent in January after a December fall of 13.3 per cent.

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FT ACTUARIES' WORLD INDICES														
Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in consultation with the Institute of Actuaries and the Faculty of Actuaries														
NATIONAL AND REGIONAL MARKETS		1. FRIDAY FEBRUARY 17 1995							2. THURSDAY FEBRUARY 16 1996					
Figures in parentheses show number of lines of assets	Dollar Index	Days' Change %	Round Index	Yan Index	DM Index	Local Currency Index	Local % Chg on day	Gross Yield	Dollar Index	Round Index	Yan Index	DM Index	Local Currency Index	Local % Chg on day
Australia (60)	186.26	-1.3	144.82	98.16	123.36	143.86	-0.2	4.05	181.98	151.79	99.48	125.11	143.99	181.43
Austria (19)	177.45	4.8	118.03	109.38	137.34	137.02	1.4	1.18	174.30	183.98	107.47	135.15	135.10	186.49
Belgium (25)	173.98	0.8	112.01	109.38	137.34	137.02	0.0	4.83	172.42	162.20	106.51	135.09	135.09	177.04
Britain (328)	171.07	7.3	118.07	109.38	137.34	137.02	0.0	1.07	171.07	162.20	106.51	135.09	135.09	177.04
Canada (103)	126.71	-0.2	118.26	97.48	97.30	328.20	0.0	2.72	125.94	114.88	77.90	97.95	128.25	140.11
Denmark (53)	265.45	-0.2	245.01	160.52	201.87	207.95	-0.5	1.62	245.01	245.04	160.54	202.38	209.36	274.27
France (103)	147.00	-0.1	147.00	147.00	147.00	147.00	0.0	1.18	147.00	147.00	147.00	147.00	147.00	147.00
Germany (16)	164.58	-0.5	154.82	101.43	127.88	130.70	-0.8	3.22	165.37	155.76	101.86	128.22	134.46	181.44
Germany (56)	144.81	0.2	139.89	91.71	115.77	115.77	0.0	1.82	144.81	139.89	91.71	115.77	115.77	144.81
Italy (58)	268.11	-1.1	268.11	268.11	268.11	268.11	-1.1	3.89	268.11	268.11	268.11	268.11	268.11	268.11
Japan (258)	214.58	0.1	206.56	132.25	159.20	159.20	0.0	1.59	214.58	206.56	132.25	159.20	159.20	214.58
Hong Kong (5)	79.54	0.2	74.93	49.02	61.55	65.54	0.5	1.93	79.54	74.93	49.02	61.55	65.54	79.54
India (14)	143.98	1.2	143.98	95.73	114.49	89.73	1.2	0.98	142.30	137.07	87.08	110.28	87.68	170.10
Japan (19)	497.54	0.6	497.54	497.54	497.54	497.54	0.6	1.59	497.54	497.54	497.54	497.54	497.54	497.54
Mexico (15)	841.78	0.4	805.93	500.43	722.99	602.98	0.4	1.90	805.93	801.59	500.43	722.99	602.98	805.93
Netherlands (19)	222.21	0.6	211.85	138.80	174.30	171.57	0.3	3.37	222.21	210.58	138.03	173.57	170.78	222.21
New Zealand (14)	73.28	-0.1	65.93	45.16	58.71	67.14	0.8	4.74	73.28	69.98	45.02	58.96	67.37	72.00
Norway (15)	213.73	0.0	213.73	165.32	185.77	185.77	0.0	1.59	213.63	209.48	165.12	185.64	185.64	213.63
Sweden (44)	351.41	-0.5	330.68	216.58	271.99	235.35	0.4	1.82	352.14	332.20	217.78	273.22	235.35	352.14
South Africa (59)	302.35	0.1	304.42	268.24	294.07	297.47	0.2	2.63	303.03	304.12	269.28	294.17	295.05	303.03
Spain (15)	153.72	-1.1	153.72	153.72	153.72	153.72	-1.1	4.53	153.18	152.18	153.18	152.18	152.18	153.18
Sweden (48)	249.38	-0.8	229.63	140.42	186.27	204.54	-0.8	1.96	245.40	230.85	151.91	192.27	207.05	247.40
Switzerland (47)	189.33	-0.7	189.33	104.36	131.05	131.05	-0.7	1.85	170.40	160.90	105.11	130.17	133.11	170.40
Thailand (46)	150.04	-1.2	141.69	92.96	116.74	148.21	-1.4	2.98	152.69	149.54	94.15	116.39	148.29	152.69
United Kingdom (204)	150.04	-1.2	141.69	92.96	116.74	148.21	-1.4	2.98	152.69	149.54	94.15	116.39	148.29	152.69
USA (613)	197.41	-0.7	185.71	121.87	152.79	177.41	-0.7	2.98	180.70	168.92	122.62	154.67	180.70	178.35
Americas (662)	180.82	-0.6	170.70	111.44	139.84	151.89	-0.6	2.83	181.80	171.02	112.10	140.06	152.98	-
Europe (720)	171.98	-0.2	161.78	105.89	131.10	148.92	-0.2	3.12	172.32	162.10	108.25	134.91	150.27	171.98
Norfolk (126)	239.05	-0.7	219.23	143.88	180.37	214.28	-0.8	1.47	234.78	220.68	144.78	182.04	210.07	233.72
Pacific (309)	152.26	-0.5	142.26	89.59	110.51	125.69	-0.5	2.80	152.26	142.26	89.59	110.51	125.69	152.26
South Pacific (150)	180.36	-0.4	159.67	98.84	124.13	118.21	-0.4	2.05	180.36	159.67	98.84	123.83	117.72	175.14
North America (818)	182.97	-0.8	181.69	118.93	145.85	162.72	-0.6	2.85	180.24	168.08	118.17	150.97	183.93	184.94
Europe & UK (619)	165.69	-0.2	146.45	95.93	120.48	130.08	-0.2	2.49	155.98	146.73	96.18	120.94	130.25	158.12
Asia & Pacific (203)	152.26	-0.5	142.26	89.59	110.51	125.69	-0.5	2.80	152.26	142.26	89.59	110.51	125.69	152.26
World Ex. US (1737)	150.05	0.5	161.04	98.86	124.27	121.10	0.4	2.10	152.69	150.57	98.56	123.94	120.62	176.95
World Ex. UK (204)	150.04	-1.2	141.69	92.96	116.74	148.21	-1.4	2.98	152.69	149.54	94.15	116.39	148.29	152.69
World Ex. Japan (176)	187.92	-0.4	176.77	115.81	145.74	177.91	-0.4	2.97	180.71	177.61	115.85	145.81	173.87	182.00
The World Index (2250)	171.58	0.0	161.40	106.74	132.79	143.80	0.0	2.98	171.58	161.34	106.73	132.88	143.78	161.34
The World Index (2250)	171.58	0.0	161.40	106.74	132.79	143.80	0.0	2.98	171.58	161.34	106.73	132.88	143.78	161.34

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